CITY OF CAPE TOWN
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INVEST CAPE TOWN

Economic Performance Indicators for Cape Town

2021 QUARTER 1

(January–March)

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The EPIC quarterly publication is a collaboration between the Enterprise and Investment, and Policy and Strategy departments of the City of Cape Town. The EPIC publication presents and analyses economic (and related) trends in Cape Town on a quarterly basis. This edition focuses on the first quarter of 2021, covering the period 1 January to 31 March 2021.

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FOREWORD

It has been a year since Covid-19 reached Cape Town and South Africa, and the economic effects of the pandemic and the resulting lockdown are still being felt, particularly by the most vulnerable amongst us.

On the positive side, it is heartening to note that the various policies implemented by the City of Cape Town have helped the metro's economy and workforce to largely weather the Covid-19 storm. This was evident from the findings of the Quarterly Labour Force Survey for January to March 2021, which showed that Cape Town maintained the lowest unemployment rate – on the expanded definition – of all metros, at 29,6%. In fact, employment in the City's formal and informal sectors increased by 20 000 (from 1,364 million to 1,384 million), quarter-on-quarter, at a time when the national economy shed jobs.

The main contributor to employment growth during the period was the finance sector, which added 37 124 jobs, followed by transport and communication with 6 975, and electricity and water with 4 354 jobs respectively. On a year-on-year basis, however, this figure has decreased by 110 698 individuals.

In light of this tenuous employment situation, the City prioritised its various City-funded training and job placement programmes offered by a number of our Special Business Partners (SBPs). In January, as part of the Cape Skills and Employment Accelerator Project, the Craft and Design Institute started the first round of training of youths and women. Training of Business Process Outsourcing operators also got underway as part of the project.

Cape Town's call centres are a good example of how enabling an industry can effect stellar growth, even in the midst of the pandemic. Between July 2018 and March 2021, the City allocated R28,5 million towards skills development and training via its SBP, CapeBPO. Today, the sector employs more than 60 000 people in Cape Town, across the domestic and foreign market. And the City now accounts for more than half of the international call centre sector operations based in South Africa.

And training has also been going full steam ahead in the all-important green economy sector, with the South African Renewable Energy Business Incubator (Sarebi), based in Atlantis, starting its Business Savvy Workshop Series to train entrepreneurs to develop better, more sustainable, business models.

At a provincial level, the Western Cape economy recorded pleasing growth of 4,0% quarter-on-quarter, mirroring the national trend and sustaining its economic recovery following the nationwide lockdown in the second quarter of 2020.

However, Cape Town's trade figures declined on a quarter-on-quarter basis, both for exports and imports, and also recorded a slight year-on-year decline in building plan submissions. The good news, however, is that building completions recorded year-on-year increases in both value and the number of projects, by 34,4% and 91,3% respectively.

At a provincial level, the Western Cape economy recorded pleasing growth of 4,0% quarter-on-quarter, mirroring the national trend and sustaining its economic recovery following the nationwide lockdown in the second quarter of 2020.

It is also somewhat concerning that the tourism and hospitality sectors have been particularly hard hit by the lockdowns, as demonstrated by Cape Town's top five tourist attractions that recorded a decline in visitor numbers on both a quarter-on-quarter and year-on-year level, at an average of -14,8% and -72,3% respectively. In addition, air travel continued its downturn, with Cape Town International Airport recording a drop of 8,4% compared to the previous quarter.

Thankfully, by March we did see increased flights to Cape Town from airlines such as KLM, and Turkish and Qatar Airlines, which resulted in steadily rising passenger numbers thereafter.

The City is committed to collaborating with all tourism stakeholders to drive the vital tourism recovery going forward. Our 10-point tourism strategy, launched in December 2020, embraces international best practice and includes campaigns to stimulate supply and demand for specific key source markets, in order to drive the various stages of recovery and readiness.

We also recognise that small businesses have an absolutely vital role to play in the sustainable recovery of the Cape Town economy. As such, my team has rolled out several new platforms through which to support SMMEs in the city, including the new Mobile Business Hub, which is literally taking professional support on the road to answer questions from entrepreneurs and small business owners, and to establish ways in which the City can support them so as to maximise their chances of success.

Alderman James Vos
Mayoral Committee Member
for Economic Opportunities
and Asset Management

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INTRODUCTION

This is the 32nd edition of the EPIC publication, which presents and analyses economic (and related) trends in Cape Town on a quarterly basis.

Following the unprecedented shocks endured by the economy last year, the first quarter of 2021 kicked off the new year on a positive note, with GDP growth for the South African economy significantly exceeding expectations for the period. At a provincial level, the Western Cape economy grew by 4,0% quarter-on-quarter, driven by strong contributions from the finance and trade sectors. Vehicle sales, which is just one aspect of the trade sector, grew by 2,1% year-on-year in the first quarter – a positive sign after a number of quarters of negative year-on-year growth.

Employment typically takes longer to recover than output, and this is borne out in the labour market statistics for the first quarter. Employment in the formal and informal sectors in Cape Town increased by 20 604 (1,5%) quarter-on-quarter. In line with the GDP trends, the largest contributors to this employment increase during the quarter were the finance and business services sectors, which added 37 124 jobs. While this is a large sector and it's difficult to attribute this job creation to a specific subsector, the BPO/BPM industry has been the primary driver of job creation in this sector over the last five years, and discussions with the industry suggest that it has continued to create jobs despite the challenges faced in the last year.

It is heartening to see the positive performance of Cape Town's tertiary industries, many of which were amongst the hardest hit by the lockdown restrictions last year. This likely reflects the impact of notably higher consumer confidence levels in the first quarter of 2021. While still negative overall, these were far higher than in the second and third quarter of 2020.

Unfortunately, despite the general pick-up in consumer confidence, one industry that is still struggling is tourism. Total passenger movements at Cape Town International Airport in 2020 were 66,3% lower than in 2019. While other industries, as has been noted, saw growth in the first quarter of 2021, the imposition of advanced lockdown measures (especially the closure of beaches) towards the end of December dampened travel and tourism, resulting in a further quarter-on-quarter decline in passenger numbers in the first quarter of 2021.

The latest accommodation statistics from Cape Town Tourism reflect an occupancy rate of just 25,8% for City accommodation establishments in January 2021. This compares very poorly with the 71,8% recorded in January 2020. Encouragingly, occupancy rates increased to just under 40% in March as lockdown measures were eased. Nevertheless, the average occupancy rate for the first quarter was less than half of that in the previous year, while revenue per room was under a quarter of the value in 2020. This illustrates the severity of the impact of the Covid-19 pandemic on the tourism industry in Cape Town and makes a strong case for continued support of the sector. As can be expected, evidence from the city's major tourist attractions suggests that those attractions that rely principally on the domestic market are more shielded from the type of declines experienced by those attractions that predominantly target foreign tourists.

In the previous edition of EPIC, I made the point that the tourism industry needed to focus on the local market in the short- to medium term, and that our manufacturers needed to look more towards international opportunities. This remains true for the tourism industry, and the latest trade figures suggest that it also still applies to manufacturers. Cape Town exports in the first quarter of 2021 were 4,5% higher than at the same time in the previous year. Increasing global commodity prices are certainly helpful, but it's worth noting that some of Cape Town's top exports include advanced manufacturing products like luxury yachts and engine parts. With an uncertain short-term outlook for South Africa, as the country continues to combat Covid-19, international markets (and particularly exports to advanced countries) may well hold the greatest potential for local manufacturers to expand output.

Looking ahead, there is no doubt that Cape Town's economy faces strong and uncertain headwinds. Stalling business and manufacturing confidence towards the end of the first quarter, and intensified lockdown restrictions at the end of June, may temporarily put the brakes on the pace of economic recovery. But what we have seen is that Cape Town businesses are incredibly resilient and, if allowed to operate, will find a way to produce and grow despite the challenges of new ways of work and the burden of Covid safety procedures. They will need support, though, not just from government, but from society as a whole.

Paul Court
Manager: Economic Analysis

KEY FINDINGS FOR THE FIRST QUARTER, 2021

In the first quarter of 2021, the Western Cape economy **grew by 4,0% quarter-on-quarter**, mirroring the national trend and sustaining its economic recovery that began at the end of last year, following the nationwide lockdown in the second quarter 2020. This provincial growth was driven by the finance and trade sectors.

The Western Cape recorded an **inflation rate of 3,4%** at the end of the first quarter of 2021, which is slightly lower than the 3,7% shown at the end of the previous quarter. Although this was higher than the national inflation rate of 3,2%, it remained within the National Treasury's inflation target range of 3% to 6%.

On a quarter-on-quarter basis, the **number of people employed in Cape Town increased by 8 082** to a total of 1,46 million. On a year-on-year basis, however, this figure has decreased by 110 698 individuals. The main contributor to quarter-on-quarter employment growth during the period was the finance sector, which added 37 124 jobs, followed by transport and communication with 6 975 jobs, and electricity and water with 4 354 jobs respectively. The construction sector shed the most jobs (-14 293) quarter-on-quarter followed by private households and the community, social and other personal services sector, with job losses of 11 998 and 10 215 respectively.

Cape Town's **top five tourist attractions** recorded a total of 304 018 visitor numbers in the first quarter of 2021. This represented a decline on both a quarter-on-quarter and year-on-year level, at an average of -14,8% and -72,3% respectively.

Cape Town accommodation establishments recorded an **occupancy rate of 32,3%** in the first quarter of 2021, compared to 73,8% for the first quarter of 2020, which was also the last quarter prior to South Africa's declaration of a National State of Disaster and the subsequent lockdown restrictions.

Air passenger movements declined on a quarter-on-quarter basis. In the first quarter of 2021, Cape Town International recorded 944 991 passenger movements, a decline of 8,4% when compared to the previous quarter.

Cape Town's trade, on a quarter-on-quarter level, declined in terms of both **exports and imports** in the first quarter. Exports were mainly led by table grapes and crude oil. At a year-on-year level, exports recorded an increase of 4,5% in the first quarter of 2021.

In the first quarter of 2021, the City of Cape Town recorded a slight year-on-year decline in **building plan** submissions to a total of 3 284, while building completions recorded a year-on-year increase in both value and number of projects, by 34,4% and 91,3% respectively.

01

SUCCESS STORIES

THE CAPE CLOTHING AND TEXTILE CLUSTER

SUPPORTING AND GROWING THE CAPE'S HISTORIC CTFL MANUFACTURING SECTOR

Cape Town's manufacturing industry is a shining light of the province and despite an unpredictable 2020, the sector has done well. In fact, during the fourth quarter of 2020, the manufacturing sector was a primary driver on the Western Cape's road to economic recovery. It contributed 25,8 percentage points to South Africa's gross domestic product (GDP), which translates to the creation of a further 5 772 jobs in the sector.

The clothing, textile, footwear and leather (CTFL) subsectors have adapted especially well and delivered good performance. Between 2016 and 2020, the CTFL sector has generated more than R1,1 billion in sales.

The Cape Clothing and Textile Cluster (CCTC) has played a vital role in this performance, growth and development of the CTFL subsectors. The CCTC is a not-for-profit organisation that was collaboratively established in 2005 between government and industry with the aim of supporting clothing and textile manufacturing in Cape Town and the greater Western Province region. Since its establishment, the CCTC has helped to build the sector into a competitive local industry, with world-class manufacturing capabilities, that plays a pivotal role in employment creation and investment in Cape Town.

As an industry-driven initiative, the CCTC is led and shaped by the expertise of its member firms. With 30 members (primarily manufacturers, collectively employing over 10 000 people), the cluster draws on its collective insight and experience to develop strategies for growth, opportunities for employment, and tactics to build resilience, sustainability and competitiveness.

This overarching mandate is underpinned by a number of key programmes that are based on market-led requirements and commercial business propositions, including optimising supply chains, supporting local firms for domestic and international export, and developing a quick, competitive operational standard.

In 2020, with crippling disruptions to global supply chains created by the pandemic, CCTC members were able to adapt more quickly and capitalise on new opportunities, avoiding or limiting job losses with all member firms staying in business. Manufacturers were attentive and responsive to the demands of consumers, reacting to the sudden need for masks and personal protection equipment (PPE), and adjusting their core manufacturing output to plug the gaps created by a world working from home. Manufacturers who have been able to adapt quickly and trade on their flexibility have found success filling this demand.

> *"Local CTFL manufacturers face stiff competition from imported products from countries with lower labour costs, mainly in the East. The CCTC aims to assist member firms to build their competitiveness and better quantify the non-price cost benefits of better quality, reliability, speed, and flexibility which they can offer."*
>
> Wes Fallon, Senior Project Manager and Lead Facilitator at B&M Analysts, the service provider to CCTC.

These success stories demonstrate a positive upturn within this historical sector, which is especially pleasing given that it has experienced a sustained decline in employment and investment over the past 20 years. Impressively, and in contrast to the national strain that this sector has experienced, CCTC members added 4% to their headcount and increased manufacturing sales by 8,5% over the three years leading up to the pandemic.

FIND OUT MORE ABOUT CCTC MEMBERSHIP

The CCTC welcomes membership queries from clothing, textile, footwear and leather manufacturers and retailers in the Western Cape. Members get access to regular and relevant news, data, and opportunities to engage with external key stakeholders that include government, sector bodies and industry experts.

In addition, members benefit from bi-weekly or monthly working groups, peer-learning forums and webinars involving over 300 industry specialists across more than 70 member firms from thread producers to major retailers.

The CCTC also offers training and skills development opportunities to any interested business, including non-members.

For more information about the CCTC membership, programmes and courses, visit their website or LinkedIn page. You can also contact the CCTC by emailing cctc@bmanalysts.com.

The Cape Clothing and Textile Cluster member firms have been able to adapt quickly and trade on their flexibility.

ROGZ
Putting Cape Town's pet gear on the global map

The global pet accessories industry is one of the few that has enjoyed a boom since the outbreak of the Covid-19 pandemic, growing from US$216 billion in 2020 to US$232 billion in 2021, according to Global Market Insights data. An estimated 6,1% compounded annual growth rate (CAGR), will push that figure to US$350 billion by 2027, according to a Pet Care Market Industry Trends report.

In Cape Town, pet gear manufacturer, Rogz, is contributing to this multi-billion dollar industry. But the innovative company isn't just reaping the benefits of a global surge in sales, it's also ploughing back into its local community by way of a schools academy and a thriving subsistence farming project.

The Rogz story started in 1995, when co-founders and directors Paul Fuller and Irene Raubenheimer, returned to Cape Town after spending several years abroad working on sail boats. According to Raubenheimer, the two had no idea what they were going to do on their return, and they embarked on a number of projects, one of which was making cords for sunglasses – an item they used extensively when working on yachts. The business went well and expanded into selling sports accessories to surf shops and optical outlets across the country. Later, they added watch straps, and that morphed into the production of dog collars and leads.

A few years later, when the pet industry side of the business started booming, the partners decided to put all of their effort into pet products. Around

From left: Paul Fuller (Rogz co-founder and director), Nicky Kirsten (former marketing manager), and Irene Raubenheimer (Rogz director and co-founder) at the company head office in Montague Gardens.

2000, they presented Rogz to the international community at a trade fair in Milan, and the product range found itself in 26 countries in just three days. Today, Rogz is one of the world's favourite pet brands sold in over 90 countries. Products are manufactured by skilled locals at the Rogz factory in Montague Gardens.

A SOUTH AFRICAN STORY OF HOPE

Rogz has a staff complement of around 260 employees, 40 of whom have been with the company for more than 20 years. Fuller says that the company is built on core values that are genuine and not created for marketing purposes, but rather to have a place where people can feel welcome irrespective of their colour, gender, creed or sexual preference.

> *"What it comes back to is that as a city and a country we have a lot to offer the international market. A lot of our international customers return to do business with us because of Cape Town, that connection, and what we stand for. A lot of what we are doing is about creating hope for the future and inspiring people. It's a great hope story."*
>
> Irene Raubenheimer, Rogz co-founder and director.

Rogz is also passionate about giving back to the community and has created an academy in partnership with an under-resourced school in Dunoon to build sustainable capacity within the school. A key strategic area that was identified for the partnership was the need to improve literacy.

Since establishing the academy, it has expanded to run programmes at a total of four schools, and some of the young people who have completed these programmes are now employed at Rogz.

Another Rogz project, spearheaded by Fuller, is a subsistence farming initiative at the company headquarters in Montague Gardens. The Rogz farm was established in 2013 and produces food for staff and community members. The produce is also distributed through the schools academy and was made available to vulnerable people through soup kitchens during the Covid-19 lockdowns.

About the company's plans for the future, Raubenheimer says: "Our immediate plan is to focus on core products and key customers. We have 90 countries on the books, so we don't necessarily need more countries. There's just so much more penetration to be had in the customers we do have – and that's our focus moving forward."

For more information about the company or their products, visit the Rogz website at www.rogz.com or follow their Facebook page or Instagram profile.

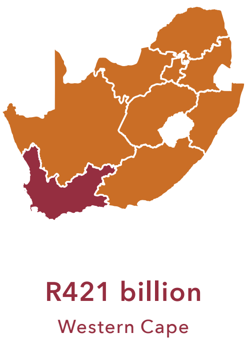
02

OVERVIEW

CAPE TOWN OVERVIEW 2021: QUARTER 1

GROSS DOMESTIC PRODUCT (GDP)

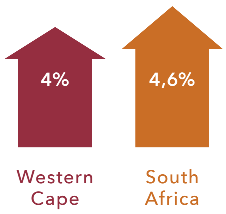
The **Western Cape** accounted for **R421 billion**[a] of the **R3 trillion gross domestic product** (GDP) generated by **South Africa** in the first quarter of 2021. While GDP data are not available at a city level on a quarterly basis, **Cape Town** typically contributes around **72%** of the provincial GDP annually.[b]



[a] *At constant 2010 prices; seasonally adjusted and annualised. Source: Quantec, 2021.*
[b] *Source: IHS Markit, 2021.*

GDP GROWTH RATE

During the first quarter of 2021, the **Western Cape** achieved quarter-on-quarter GDP growth of **4%**, compared to **national GDP** growth of **4,6%**.[c]



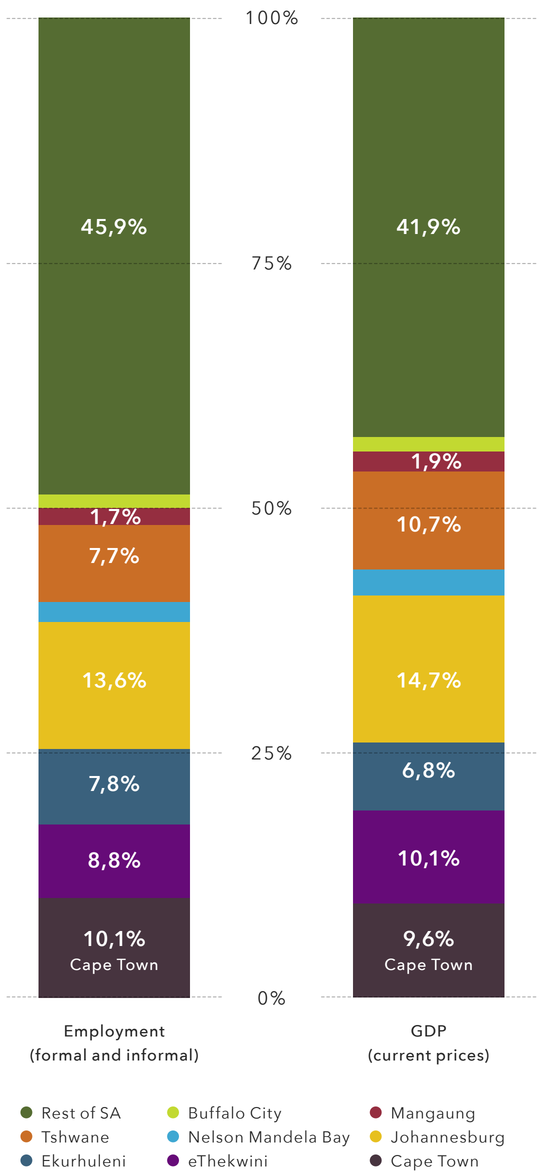
[c] *At constant 2010 prices; seasonally adjusted and annualised. Source: Quantec, 2021.*

GDP PER CAPITA

In 2020, **South Africa** had a GDP per capita of **R83 163**, while the **Western Cape's** GDP per capita was **R97 698** and **Cape Town's** was **R106 364**.[d]

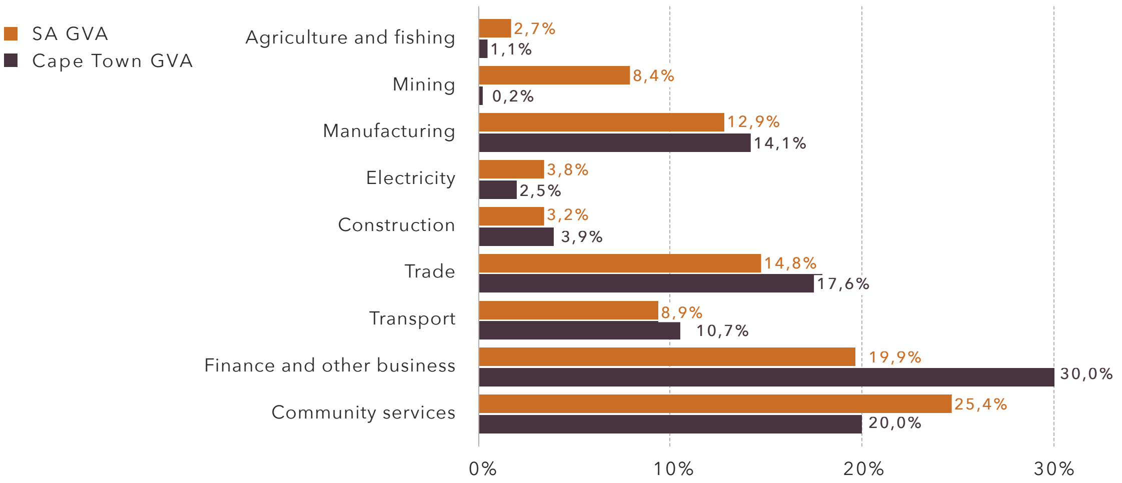
[d] *At current prices. Source: IHS Markit, 2021.*

CAPE TOWN GROSS GEOGRAPHIC PRODUCT AND EMPLOYMENT CONTRIBUTIONS TO SA, 2020[e]



[e] *At current prices. Source: IHS Markit, 2021.*

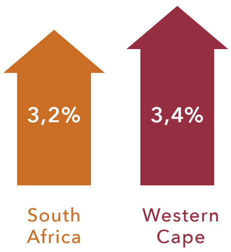
SECTORAL SHARES, CAPE TOWN GROSS VALUE ADDED (GVA) VERSUS NATIONAL GVA, 2020[f]



[f] *At current prices. Source: IHS Markit, 2021.*

INFLATION

At the end of the first quarter of 2021, **South Africa** had an inflation rate of **3,2%**. The **Western Cape's inflation rate** for the same period was **3,4%**.[g]



[g] *Source: Statistics South Africa (StatsSA), 2021.*

POPULATION

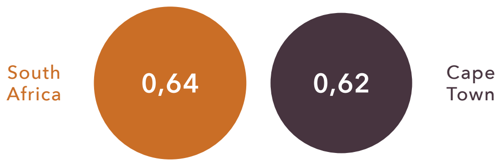
South Africa has a population of **59 622 350**. A total of **7 005 741** people (11,8% of the national population) live in the **Western Cape**. Of those, **4 604 986** are residents of **Cape Town**.[h]

[h] *Source: City of Cape Town, 2021a.*

GINI COEFFICIENT

In 2020, **South Africa** had a Gini coefficient* of **0,64**, while **Cape Town** had a slightly lower value of **0,62**.[i]

** The Gini coefficient measures inequality in levels of income.*



[i] *Source: Wesgro, 2021.*

VISITOR ATTRACTIONS

In the first quarter of 2021, tourists and residents made **304 018 number of visits** to **Cape Town's four major attractions**.[j]

[j] *Source: Wesgro, 2021.*

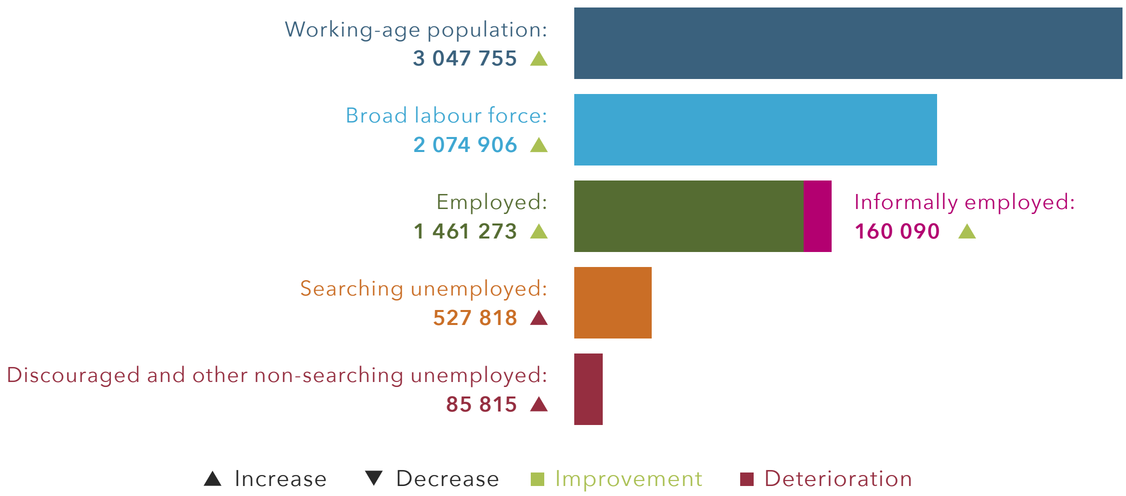
AIR PASSENGER MOVEMENTS:

Of the **3 145 228** passenger movements through **South Africa's three international airports**[k] during the first quarter of 2021, **944 991 were through Cape Town International Airport**.[l]

[k] *Source: Cape Town, OR Tambo and King Shaka.*
[l] *Source: Airports Company South Africa, 2021.*

LABOUR OVERVIEW 2021: QUARTER 1

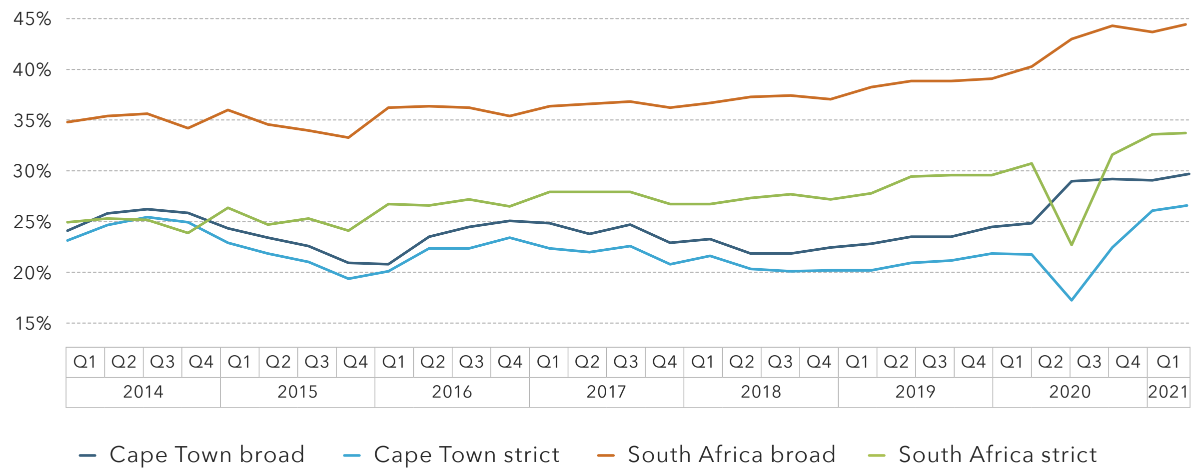
LABOUR INDICATORS, 2021 Q1 (QUARTER-ON-QUARTER CHANGES)



Labour force participation rate (strict) = **65,3%** Absorption rate = **47,9%** Dependency ratio = **43,5%**

Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 1, June 2021.

STRICT VERSUS BROAD UNEMPLOYMENT RATES FOR SOUTH AFRICA AND CAPE TOWN, 2014 Q1 TO 2021 Q1



Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 1, June 2021.

03

ECONOMIC GROWTH

Gross domestic product (GDP) growth is one of the most widely used measures of economic performance in a country or region. It provides an indication of the level of value-added production that takes place in an economy during a specific period. Large cities such as Cape Town are typically the loci of economic production, and are therefore often the main drivers of economic growth in a region.

SOUTH AFRICA'S QUARTER-ON-QUARTER ECONOMIC PERFORMANCE

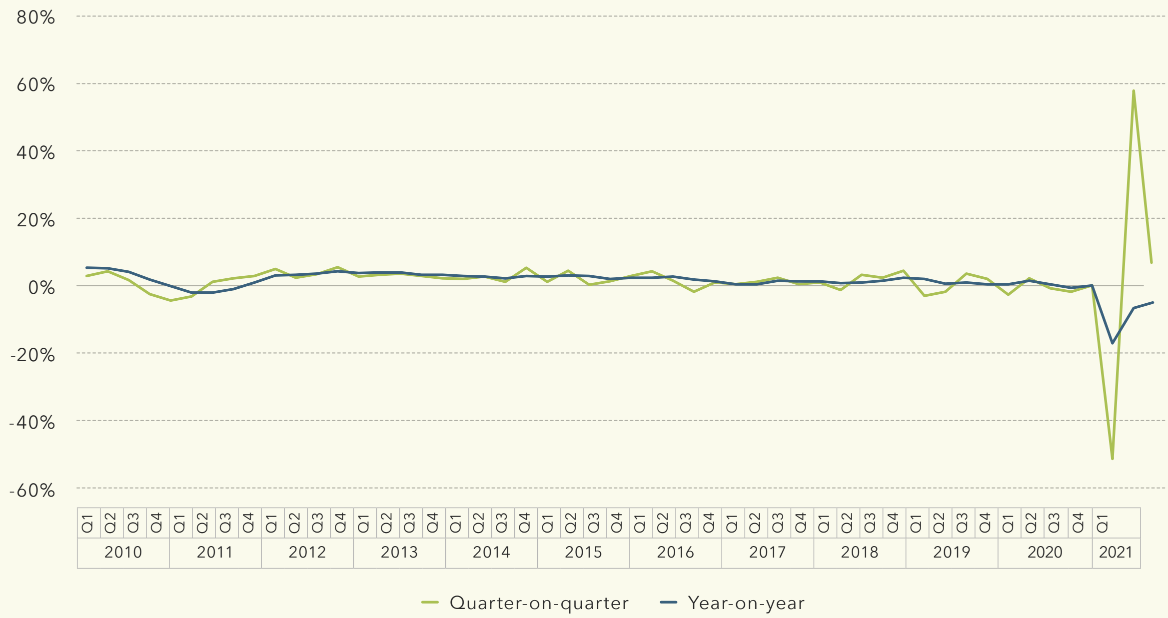
The South African economy recorded annualised growth[1] of 4,6% quarter-on-quarter in the first quarter of 2021. This was 1,2 percentage points lower than the previous quarter (which was revised downward by 0,5 of a percentage point to 5,8%), and meant that the country sustained its recovery from the nationwide lockdown that took place in the second quarter of 2020. The recovery in the first quarter was largely expected, however it exceeded the Bloomberg consensus projection of growth of 3,2% and the Bureau for Economic Research's (BER) [above] consensus view of 3,8% (BER, 2021a).

The primary drivers of the first quarter growth were the mining sector, which grew by 18,1% quarter-on-quarter and added the second most to the total national growth rate (1,2 percentage points), and the finance sector, which grew by 7,4% and added 1,5 percentage points to total national growth. The trade sector followed closely, with growth of 6,2% in the first quarter of 2021, and added 0,8 of a percentage point to total national growth. The agricultural (-3,2%) and electricity and water (-2,6%) sectors were the only sectors to record contractions in the first quarter, each subtracting 0,1 of a percentage point from total national growth.

Notwithstanding the seemingly positive quarter-on-quarter GDP figures, the enduringly weak economic climate is underlined by less pleasing additional market indicators such as the RMB/BER Business Confidence Index. After a notable positive recording in the previous quarter, the Business Confidence Index dropped 5 index points to 35 index points in the first quarter of 2021. According to the BER, the continued low sentiment highlights "the fragility of the economic recovery" (BER, 2021b).

More indicative of business activity, the Absa Purchasing Manager's Index (PMI) survey centres around components such as business activity, new sales orders, supplier performance, prices and employment, in addition to business sentiment. Following declines in the previous quarter, the Absa PMI recorded increases throughout the first quarter of 2021: by 0,6 index points to 50,9 index points in January; increasing further to 53,0 index points in February; and then to 57,4 index points in March 2021. According to the BER (2021c), the recording for March was underpinned by improvements in all five subcomponents [relative to February]. The sustained recordings above 50 index points suggest that the manufacturing sector's growth is stabilising following lockdown-induced contractions, however, the average recordings in the first quarter of 2021 were lower than the previous quarter (53,8 compared to 54,6 index points), highlighting that the recovery is not exempt from challenges.

FIGURE 1: REAL GGP GROWTH FOR THE WESTERN CAPE, 2010 Q1 TO 2021 Q1



Source: Quantec, 2021.

[1] *Unless otherwise stated, quarter-on-quarter growth rates are seasonally adjusted and annualised.*

A GLOBAL COMPARISON OF ECONOMIC PERFORMANCE IN THE FIRST QUARTER

According to the International Monetary Fund (IMF, 2020a), the so-called 'Great Lockdown' – an unprecedented global response to the Covid-19 pandemic – triggered the worst recession since the Great Depression. In its latest World Economic Outlook (IMF, 2021a), the IMF notes that despite the unprecedented economic impact of the Covid-19 pandemic, estimates suggest it could have been as much as three times worse, had it not been for the "extraordinary policy support". Uncertainty pertaining to the [future] path of the pandemic remains a risk to the global economic outlook. Nevertheless, the IMF has upwardly revised its forecasts for global growth to 6,0% in 2021 and 4,4% in 2022 (up by 0,5 and 0,2 of a percentage point, respectively, compared to its January 2021 WEO Update). The positive revisions were accompanied by a global [output] contraction of 3,3% in 2020 (IMF, 2021a), which was slightly better than the IMFs last expectation of -3,5% (2021b).

Following a contraction of 4,7% in 2020, the IMF (2021a) expects advanced economies to rebound in 2021 with growth of 5,1%, thereafter moderating to 3,6% for 2022. Emerging economies, which contracted by 2,2% in 2020, are expected to grow by 6,7% in 2021 and 5,0% in 2022. As South Africa's 2020 performance (-7,0%) was slightly better than expected, the IMF has also upwardly revised its expectations for the country, predicting growth of 3,1% in 2021 and 2,0% in 2022.

WESTERN CAPE AND CAPE TOWN ECONOMIC PERFORMANCE

The Western Cape economy contributes around 14% of South Africa's gross domestic product (GDP). In line with the national economy's performance, the Western Cape's GDP grew by an annualised 4,0%, quarter-on-quarter for the first quarter of 2021. This meant that it sustained its recovery, albeit at 2,7 percentage points lower than the growth recorded in the previous quarter (which was revised upward by 0,1 of a percentage point to 6,7%).

Similar to the performance of the country as a whole (-2,7%), the Western Cape recorded a year-on-year contraction of 3,6% in the first quarter of 2021. The continuous negative year-on-year growth recordings indicate that, despite positive quarter-on-quarter recordings, economic activity, at both the national and provincial levels, remains under strain (see figure 1), however, year-on-year performance is gradually improving.

As restrictions were applied nationally, the Western Cape's sectoral performance, on a quarter-on-quarter basis, showed many similarities to that of the national economy. Notably, the majority of sectors recorded positive quarter-on-quarter growth, with only two sectors recording contractions in the first quarter of 2021. The highest growth was recorded by the mining sector, with quarter-on-quarter growth of 31,1%. However, mining's small share (0,2%) of the provincial economy meant it only added 0,1 of a percentage point to total growth.

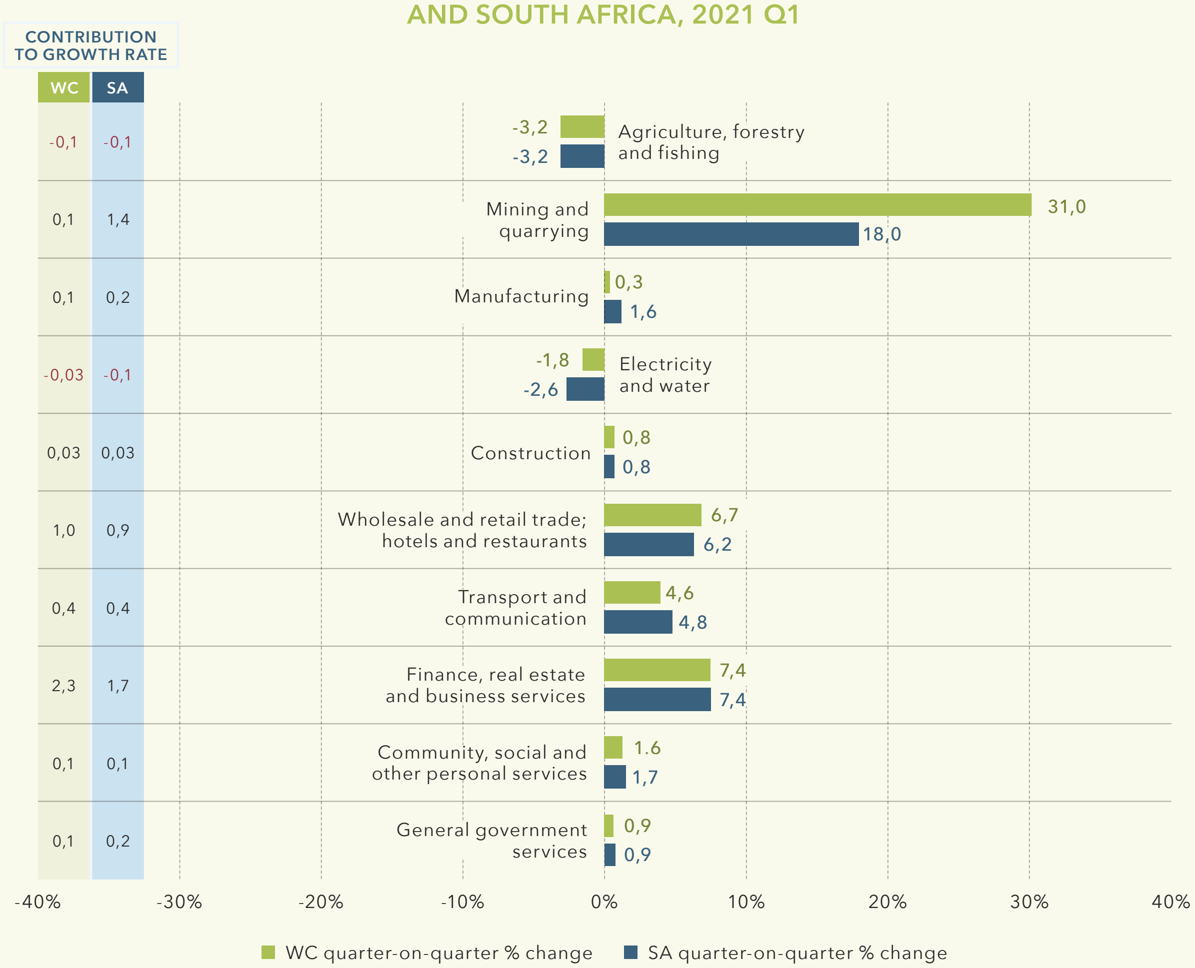
After contracting in the previous quarter, the finance sector recorded growth of 7,4% and was the largest positive contributor to the provincial growth rate, adding 2,3 percentage points. After positive recordings throughout 2020, the agriculture sector recorded a contraction of 3,2% at both the national and provincial levels. While the sector's greater share of the provincial economy (4,3% compared to 2,9% of the national economy) usually amplifies its impact on total growth as compared to the national economy, its performance translated into a subtraction of 0,1 of a percentage point each from provincial and national total growth.

The most prominent contributors to total GDP (value) in the Western Cape are the finance, trade and manufacturing sectors. Of these, the finance and trade sectors were the largest contributors to the province's growth in the first quarter of 2021. Along with the manufacturing sector, these added a combined 3,4 percentage points to total growth. Despite the largely positive results for growth in the first quarter of 2021 – a necessity for continued economic recovery – the majority of the province's sectors recorded lower quarter-on-quarter growth rates when compared to the previous quarter. The most prominent amongst these were the manufacturing and construction sectors. The manufacturing sector grew by only 0,3% quarter-on-quarter in the first quarter of 2021, a decline of 20,2 percentage points when compared to its growth recorded in the previous quarter; while the construction sector grew by 0,8% quarter-on-quarter, a decline of

10,0 percentage points when compared to the fourth quarter of 2020. The near-zero growth of these sectors in the first quarter of 2021 highlights the still challenging economic climate as they edge closer to their pre-Covid-19 contractionary trends.

While quarterly GDP-R statistics for Cape Town are not timeously available for inclusion in this document, the performance of the metropolitan municipality's economy can be expected to typically mirror that of the provincial economy. This is because the city contributes around 72% of the total provincial economic output (IHS Markit, 2021). On average, in the last 10 years, the variation between the city's gross geographic product (GGP) growth rate and the provincial rate has been just 0,2 of a percentage point. If this holds true for the first quarter of 2021, a plausible range for Cape Town's quarter-on-quarter economic growth in the fourth quarter would be between 3,8% and 4,2%. However, the nature of provincial economic growth is such that this range may not fully account for the performance of the city economy in these unprecedented times. Given that the finance and trade sectors, the top contributors to the province's growth in the first quarter, contribute a considerable share to Cape Town's GVA (a combined 52,6%), as well as the province's respective sectoral activity (on average Cape Town's performance of these sectors contributes 77% of their provincial counterpart performance), the city's economy may have experienced a more positive performance overall. This could be further enhanced given that the negative performance of the agriculture sector would likely have a more muted impact on the local economy as it contributes only 1% of Cape Town's economy, and only 16% of the province's agricultural sector.

FIGURE 2: SECTORAL REAL GDP-R GROWTH RATES IN THE WESTERN CAPE AND SOUTH AFRICA, 2021 Q1



Source: Quantec, 2021.

04

INFLATION

Price fluctuations of goods and services in an economy are measured by the consumer price index (CPI) inflation rate and producer price index (PPI) inflation rate. The CPI measures the change in the cost of living for households and the PPI measures the change in the cost of production.

INFLATION OVERVIEW

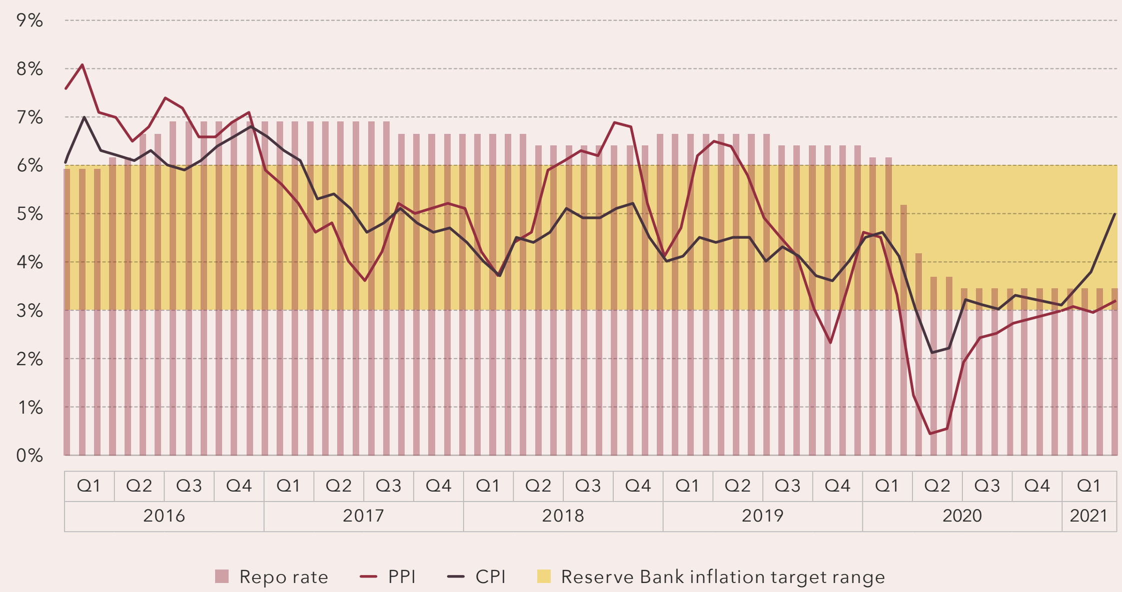
At the end of the first quarter of 2021, the CPI increased marginally to 3,2% from 3,1% at the end of the fourth quarter of 2020. As illustrated in figure 3, the CPI was 3,2% in January, decreasing to 2,9% in February and increasing to 3,2% [again] in March. Overall, the CPI hovered largely around the bottom of the inflation target range (3%) for this quarter.

According to Statistics South Africa (2021), the main contributors to the overall CPI inflation rate for March 2021 included food and non-alcoholic beverages, housing and utilities, transport, and miscellaneous goods and services. According to the Monetary Policy Committee (MPC) statement of March 2021 (South African Reserve Bank [SARB], 2021a), the outlook for 2021 headline inflation has increased to 4,3% from a previous 4,0%, while the outlook for 2022 has decreased slightly from a previous 4,5% to 4,4%. Furthermore, the MPC notes significant price revisions for 2021 compared to those recorded at the previous committee meeting. These include an oil price rise of 12,7% compared to 4,4%, and an electricity price increase of 9,7% compared to 8,1%. Although a potential upward risk to inflation, it would seem the rand's appreciation against the dollar during the first quarter of 2021 has brought some relief. Therefore, the MPC stated that unless the "outlined risks materialise", inflation for 2021 will be "contained" (SARB, 2021a). At the start of the second quarter of 2021, the CPI for April 2021 was recorded at 4,4%. This is higher than March 2021 and points to a possible increasing trend.

For the first quarter of 2021, the PPI[2] increased to a significant higher average of 4,2% after averaging 2,9% in the previous quarter. The index recorded monthly readings of 3,5% in January, increasing further to 4,0% in February and to 5,2% in March 2021. The main inflationary contributors to the PPI in March (in terms of final manufactured products) were the prices of: food products, beverages and tobacco products; coke, petroleum, chemical, rubber and plastic products; and metals, machinery, equipment and computing equipment. The PPI for April 2021 (6,7%) increased above the inflation target range of 6% for the first time since the second quarter of 2019. Also, the PPI reading for April 2021 is the highest recording since November 2018 (Stats SA, 2021).

Figure 3 illustrates changes in the repurchase rate (repo rate). As indicated in the graph, the repo rate remained at 3,5% throughout the first quarter of 2021. According to the MPC statement (SARB 2021a), key reasons for the unanimous decision to keep the repo rate unchanged include the controlled inflation outlook, with the assistance of the stronger rand, the optimistic growth outlook, financial market improvements and the implementation of the Covid-19 vaccination roll-out

FIGURE 3: CPI AND PPI TRENDS FOR SOUTH AFRICA, JANUARY 2016 TO MARCH 2021



Source: CPI and PPI, extracted from Statistics South Africa, 2021; repo rate extracted from SARB, 2021.

[2] *According to Statistics South Africa (2021), the PPI from and including January 2021 has been reweighted. Noted, however, is that the reweighting will not affect the calculations of the basket.*

programme. The MPC continued to note that monetary policy is utilised to bring financial relief for households and firms in response to the Covid-19 impact and will continue to be accommodative as far as possible. However, according to the MPC statement of May 2021 (SARB, 2021b), the [possible] third wave of Covid-19 infections could hamper economic activity and thus give rise to possible repo rate increases later in the year, depending on the headline inflation outlook. This may limit the extent to which monetary policy (an increase in the repo rate) can be used to control inflation.

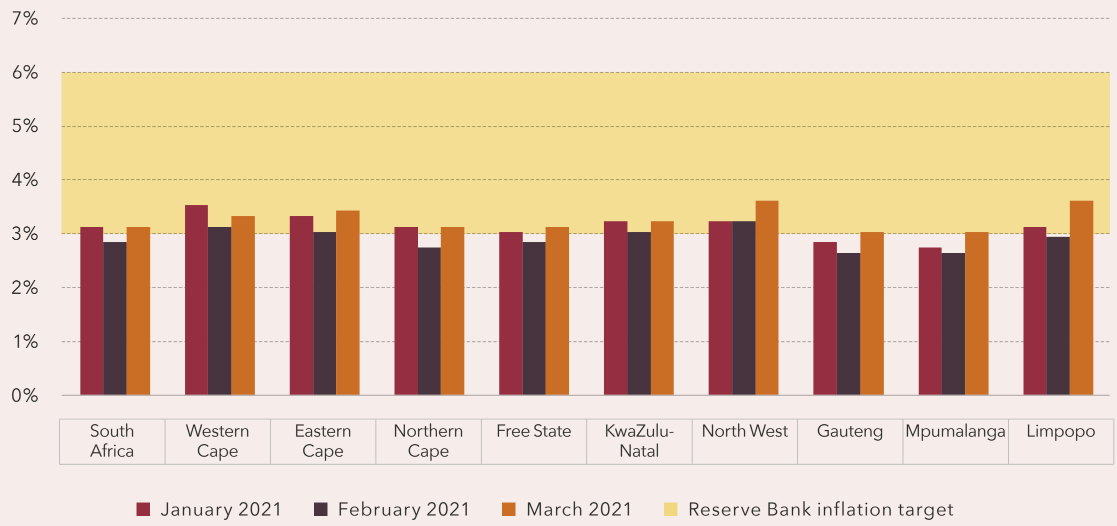
GEOGRAPHICAL INFLATION

The Western Cape recorded an inflation rate of 3,4% at the end of the first quarter of 2021. This was slightly lower than the 3,7% at the end of the preceding quarter. The provincial inflation rate was higher than the national rate of 3,2%. Figure 4 illustrates inflation rates recorded in the first quarter of 2021 across all nine provinces of the country. In comparison to the end of the fourth quarter of 2020, five provinces experienced inflationary increases, while two provinces experienced decreases, and the remaining two were unchanged. At the end of March, all provinces recorded inflation within the target range of 3% to 6%. The North West recorded the highest inflation rate for the quarter under review, with an average of 3,43%, followed by the Western Cape (3,40%) and Eastern Cape (3,33%). Mpumalanga (2,87%) recorded the lowest average inflation rate in the first quarter of 2021.

Food and non-alcoholic beverages price inflation was slightly higher at a provincial level in March (5,8%) compared to nationally (5,7%) with [its sub-category of] food price inflation being the main driver for the province (5,9% compared to 5,8% nationally in March). A notable difference between the Western Cape and South Africa was recorded in alcoholic beverages and tobacco price inflation (4,3% and 3,7% respectively), with [its sub-category of] tobacco price inflation (4,8% and 4,6% respectively) being the key driver for the province in March 2021. Transport price inflation was higher on a national level in March compared to the province (3,9% and 3,0% respectively), with [its sub-category of] public transport inflation being a key driver.

As indicated in figure 5, all categories recorded inflation below the upper end of the inflation target range (6%). The education as well as miscellaneous goods and services categories recorded relatively high inflation rates throughout the first quarter for both the Western Cape (average of 5,5% and 5,4% respectively) and South Africa (5,6% and 4,7% respectively). Interestingly, education price inflation on a national level recorded its lowest reading for March 2021 (4,2%) in nearly

FIGURE 4: CPI INFLATION RATE AT A PROVINCIAL LEVEL, JANUARY TO MARCH 2021

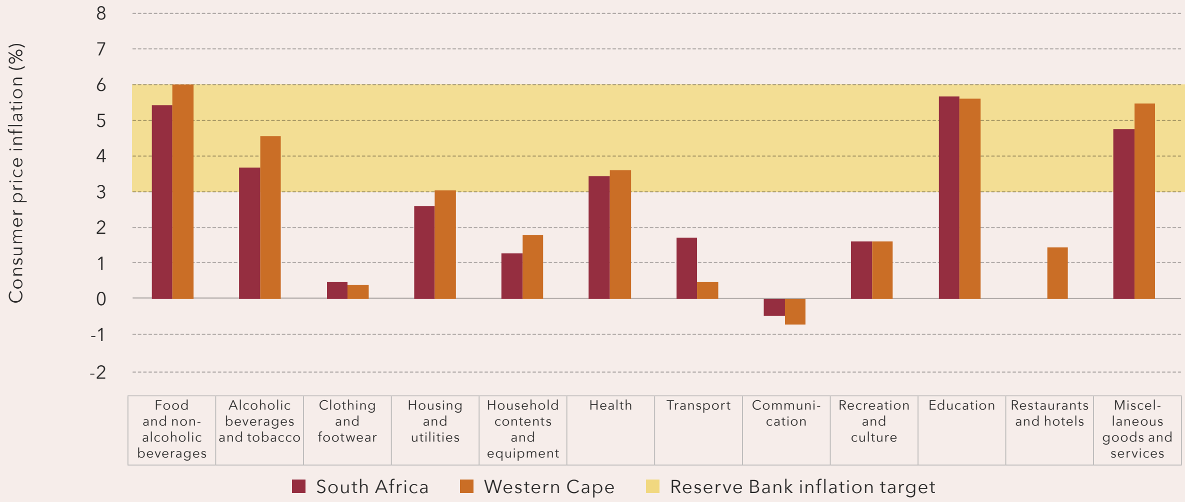


Source: Statistics South Africa, May 2021.

three decades (Stats SA, 2021). According to Stats SA, educational fees increased by 4,1% in March 2021 compared to 6,4% in March 2020, as many schools have implemented financial relief mechanisms to assist families during the Covid-19 pandemic.

In contrast, communication price inflation recorded negative figures throughout the first quarter of 2021 at both the provincial and national level, averaging -0,7% and -0,5% respectively.

FIGURE 5: AVERAGE CONSUMER PRICE INFLATION FOR THE WESTERN CAPE AND SOUTH AFRICA, 2021 Q1

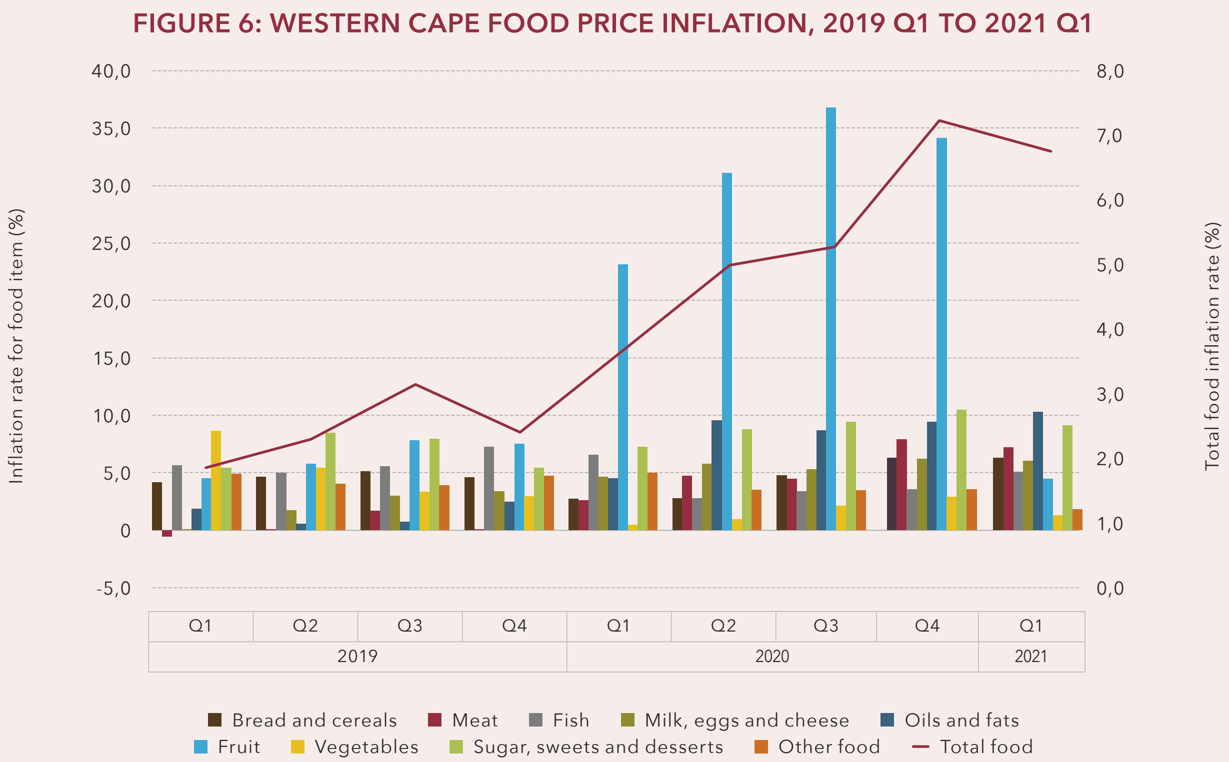


Source: Statistics South Africa, May 2021.

WESTERN CAPE FOOD INFLATION

In light of Covid-19, tracking and monitoring food price changes have become increasingly important as millions of South Africans are experiencing job losses and salary cuts, which further threaten their access to food. Figure 6 tracks food price inflation in the Western Cape, which has been displaying an upward trend since the beginning of 2020. Food price inflation increased to an average of 6,1% in the first quarter of 2021 compared to 3,7% for the same period in 2020. The food items that demonstrated the highest average inflation rates in the first quarter of 2021 were: oils and fats (10,8%); sugar, sweets and desserts (8,7%); meat (7,3%); and bread and cereals (6,5%). Vegetables recorded the lowest inflation rate (1,1%) for the quarter.

South African consumers continue to face financial challenges as prices of food and fuel rise, while at the same time municipal rates and taxes continue to increase; but salaries are subject to limited (or no) increases, or even reductions, as a result of the Covid-19 impact on the economy. Consumers will likely continue to face increasing food prices as agricultural producer price inflation continues on an upward trend. A potential contributor to the agricultural PPI recordings is revealed by an observation made by many large food manufacturers, that there has been an increase in the prices of key agricultural products used as inputs in the manufacturing of basic consumer foodstuffs. Manufactured producer food price inflation accelerated from 6,9% in February 2021 to 8,1% in March 2021, surpassing the CPI food price inflation. Food manufacturers have, however, implemented various strategies to mitigate the rising production costs, including reducing internal costs and optimising processes in order to help decrease the pressure on margins and household budgets (BusinessTech, 2021).



Source: Statistics South Africa, May 2021.

05

LABOUR MARKET

The labour market is the point at which economic production meets human development. As such, employment creation and unemployment reduction are top priorities for all spheres of government. Labour market performance is tracked through a variety of indicators, many of which are considered in this section.

On 19 March 2020, Statistics South Africa's (2020) suspended its face-to-face data collection process due to the Covid-19 pandemic. As a result, the mode of data collection for the Quarterly Labour Force Survey (QLFS) was changed to Computer Assisted Telephone Interviewing (CATI). To facilitate CATI, the same sample that was used for the QLFS Q1: 2020 was also used for Q2, Q3 and Q4 of 2020, as well as for Q1 of 2021. However, the process has not been without challenges. Further details on the methodology can be reviewed in the official QLFS publication.

CAPE TOWN'S LABOUR MARKET PERFORMANCE

Cape Town's working age population (3,05 million) increased on both a quarter-on-quarter and year-on-year basis. The labour force increased on a quarter-on-quarter level and decreased on a year-on-year level to a total of 1,99 million individuals. Employment improved on a quarter-on-quarter level (by 8 082), however decreased on a year-on-year level (by -111 698), recording a total of 1,46 million individuals in the first quarter of 2021. Encouragingly, this is the third consecutive quarter of employment increases. The labour force participation rate increased from 65% to 65,3% in the first quarter of 2021, however the labour absorption rate decreased from 48,1% to 47, 9% when compared to the fourth quarter of 2020. Both rates recorded decreases when compared to the first quarter of 2020.

The number of discouraged work seekers increased on both a quarter-on-quarter (by 8 744) and on a year-on-year (by 10 489) basis to a total of 37 216 individuals in the first quarter of 2021. This is also the highest recording for this category since the start of the QLFS. The increases recorded in discouraged work seekers and searching unemployed led to an increase in the broad unemployment rate to 29,6% from a previous recording of 29,0% in the fourth quarter of 2020. At 29,6%, Cape Town's broad unemployment rate remained lower than any of the other metros in South Africa.

TABLE 1: CAPE TOWN LABOUR MARKET INDICATORS

METRO	RECORDED			QUARTER-ON-QUARTER CHANGE	YEAR-ON-YEAR CHANGE
	2021 Q1	2020 Q4	2020 Q1	(vs 2020 Q4)	(vs 2020 Q1)
Working-age population	3 047 755	3 023 418	2 994 542	24 338	53 214
Labour force (strict)	1 989 091	1 965 054	2 029 093	24 037	- 40 002
Employed: Total	1 461 273	1 453 191	1 571 971	8 082	- 110 698
Employed: Formal sector	1 224 236	1 213 714	1 289 325	10 522	- 65 089
Employed: Informal sector	160 090	150 008	173 223	10 082	- 13 133
Unemployed (strict)	527 818	511 863	457 122	15 955	70 696
Not economically active	1 058 664	1 058 364	965 449	301	93 216
Discouraged work seekers	37 216	28 472	26 728	8 744	10 489
Other not economically active	1 021 448	1 029 891	938 721	- 8 443	82 727

Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 1, June 2021.

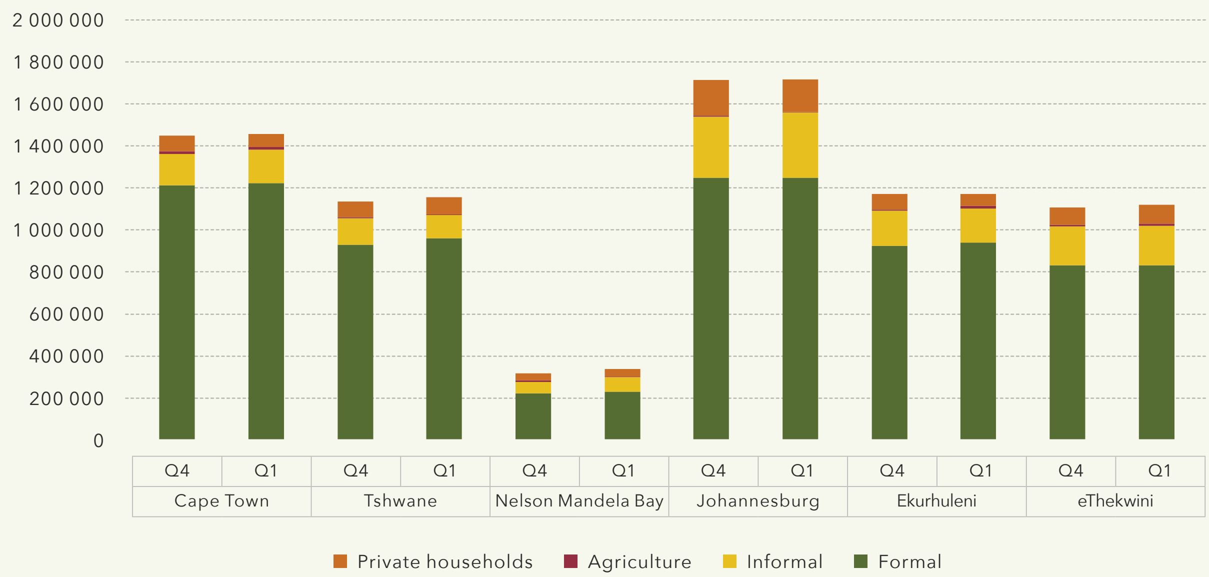
EMPLOYMENT COMPARISON OF METROS

When measuring Cape Town's job creation performance, a comparison with other metropolitan municipalities (metros)[3] in the country is helpful. In the first quarter of 2021, Cape Town continued to have the second largest number of employed people, at 1,46 million individuals. This is second only to Johannesburg, where 1,72 million people were employed. This is to be expected, as Johannesburg has a significantly larger population than Cape Town.

As can be seen in Figure 7, all six of the country's metros recorded increases in total employment in the first quarter of 2021 when compared to the fourth quarter of 2020. Tshwane added the most to employment (21 716 jobs added), followed by Nelson Mandela Bay and eThekwini (20 857 and 13 720 jobs added respectively). Tshwane's employment growth was largely driven by formal employment (32 363 jobs added), while Nelson Mandela Bay's employment increase was driven by informal employment (19 146 jobs added) and eThekwini's employment growth was driven by private households' employment (8 568 jobs added).

Formal and informal employment in Cape Town increased on a quarter-on-quarter basis (10 522 and 10 082 respectively), but decreased on a year-on-year basis (-65 089 and -13 133 respectively) to record totals of 1,22 million and 160 090 individuals respectively. Employment losses (12 522 in total) were recorded in private households and agriculture categories for the quarter.

FIGURE 7: EMPLOYMENT COMPARISON WITH OTHER METROS BY MAJOR SECTOR, 2020 Q4 VERSUS 2021 Q1



Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 1, June 2021.

[3] *This comparison does not include all South African metro cities.*

UNEMPLOYMENT IN CAPE TOWN

The number of [searching] unemployed people in Cape Town increased quarter-on-quarter (by 15 955) and year-on-year (by 70 696) to record a total of 527 818 individuals at the end of the first quarter of 2021. The minimal increase in employment was outweighed by the larger increase recorded in unemployment, resulting in a higher strict unemployment rate (26,5%) when compared to the previous quarter (26,0%). This is the highest recording for the strict unemployment rate in Cape Town since the implementation of the QLFS in 2008.

The youth unemployment rate in Cape Town, defined as the strict unemployment rate for individuals aged 15 to 24, was estimated at 52,6% in the first quarter of 2021, having increased from 52,2% in the previous quarter. On a year-on-year basis, youth unemployment increased from the 49,7% recorded in the same period of 2020. While this remains below the national youth unemployment rate of 63,3% recorded in the first quarter of 2021, (increasing slightly from 63,2% in the previous quarter), it is nonetheless notably high by average developing country standards and continues to pose a key challenge for economic policymakers in the city.

While comparisons of Cape Town's unemployment trends with those of the country as a whole are important, it is perhaps more relevant to compare these Cape Town trends to other metros that have similar labour market dynamics (see Table 2). On a quarter-on-quarter basis, eThekwini had the lowest strict unemployment rate (20,6% unchanged from previous quarter), while Cape Town had the lowest expanded unemployment rate of 29,6% (up from the previous 29,0%) when compared to all the other metros.

TABLE 2: UNEMPLOYMENT RATE COMPARISON OF METROS, 2021 Q1 VERSUS 2020 Q4 AND 2020 Q1

METRO	OFFICIAL (STRICT)			EXPANDED (BROAD)		
	2021:Q1	2020:Q4	2020:Q1	2021:Q1	2020:Q4	2020:Q1
Cape Town	26,5%	26,0%	22,5%	29,6%	29,0%	25,1%
eThekwini	20,6%	20,6%	22,1%	34,9%	33,7%	30,8%
Ekurhuleni	34,4%	32,6%	32,4%	41,3%	39,3%	37,6%
Johannesburg	34,1%	35,1%	32,7%	41,8%	41,1%	35,0%
Nelson Mandela Bay	39,2%	42,3%	35,8%	39,3%	42,6%	36,5%
Tshwane	36,7%	37,0%	29,2%	40,3%	40,3%	35,1%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 1, June 2021.

Three metros experienced an increase in their strict unemployment rate, while two experienced a decrease when compared to the fourth quarter of 2020. Ekurhuleni recorded the highest increases in both its strict (up by 1,8 percentage points to 34,4%) and broad (up by 2 percentage points to 41,3%) unemployment rates. Nelson Mandela Bay recorded the largest decreases in both its strict (down by 3,1 percentage points to 39,2%) and broad (down by 3,3 percentage points to 39,3%) unemployment rates. Cape Town recorded an increase in both its strict (up by 0,5 of a percentage point to 26,5%) and broad unemployment rates (up by 0,6 of a percentage point to 29,6%).

Nelson Mandela Bay recorded the lowest difference (of 0,1 of a percentage point) between its two rates of unemployment. eThekwini recorded a 14,3 percentage point difference, the largest of all the metros. Cape Town had a difference of 3,0 percentage points (second lowest) between the two rates of unemployment, which can be attributed to the city having a relatively smaller number of discouraged work seekers (although this is increasing) than the rest of the metros.

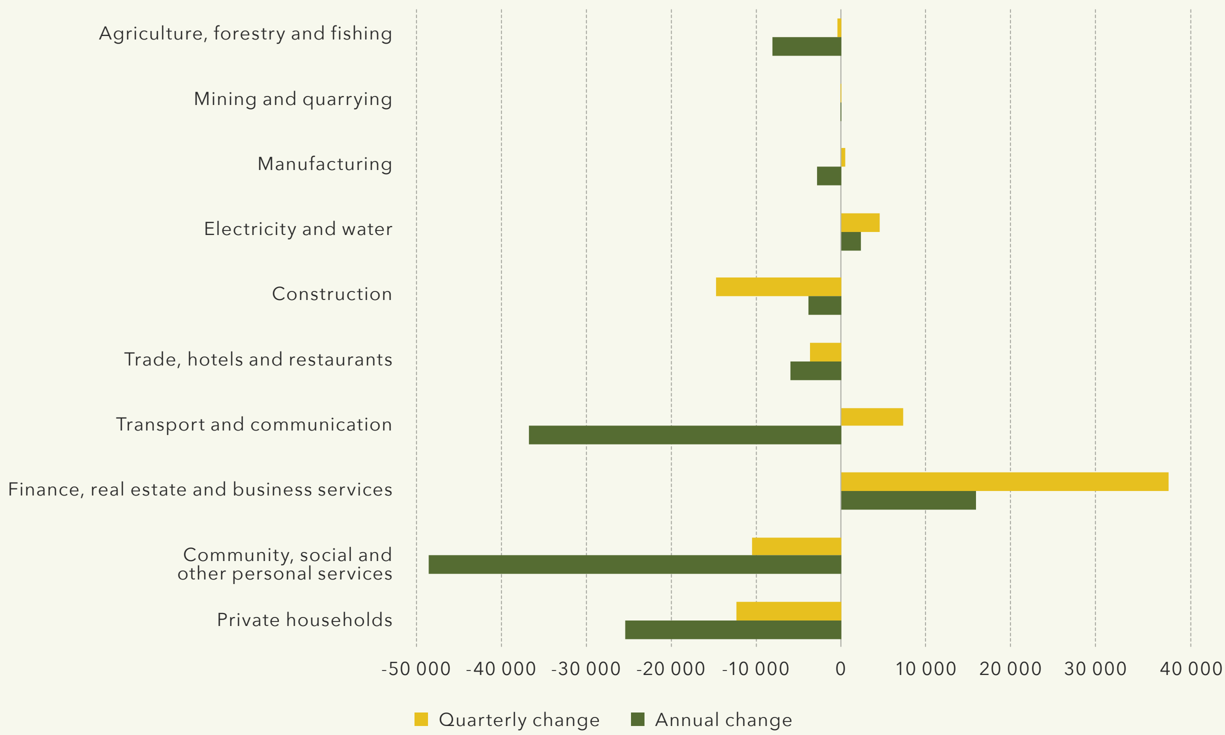
SECTOR EMPLOYMENT TRENDS FOR CAPE TOWN

Figure 8 presents the change in the level of employment by sector in Cape Town in the first quarter of 2021. Four sectors added positively to, and six detracted from, employment growth on a quarter-on-quarter basis. The finance, real estate and business services sector contributed the most to employment growth (37 124 jobs) followed by the transport and communication (6 975 jobs) and electricity and water (4 354 jobs) sectors. A minimal contribution was recorded in the manufacturing sector with 417 added jobs.

In contrast, the construction sector recorded the largest decrease of 14 293 jobs, followed by the private households' sector (-11 998 jobs) and community, social and other personal services (-10 215 jobs), when compared to the fourth quarter of 2020. Trade, hotels and restaurants also recorded a notable number of job losses (down by 3 617 jobs) when compared to the previous quarter. Agriculture, forestry and fishing, as well as mining and quarrying, recorded minimal decreases on a quarter-on-quarter basis of 524 and 142 jobs respectively.

Similar to the quarterly performance, finance, real estate and business services, as well as electricity and water were the only sectors to add positively to employment on a year-on-year basis (by 15 294 and 2 187 jobs respectively). In contrast, eight sectors displayed negative employment growth when compared to the same period in 2020. The community, social and other personal services sector recorded the largest year-on-year decrease of 46 934 jobs. This was followed by the transport and communication sector (-35 518 jobs) and the private households' sector (-24 607 jobs). Meaningful declines were also noted in the following sectors: agriculture, forestry and fishing (-7 869 jobs); trade, hotels and restaurants (-5 836 jobs); construction (-3 753 jobs); and manufacturing (-2 757 jobs). A negative year-on-year recording was also reflected in the mining and quarrying (-154 jobs) sector.

FIGURE 8: QUARTERLY AND ANNUAL CHANGE IN EMPLOYMENT PER SECTOR FOR CAPE TOWN, 2021 Q1



Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 1, June 2021.

06

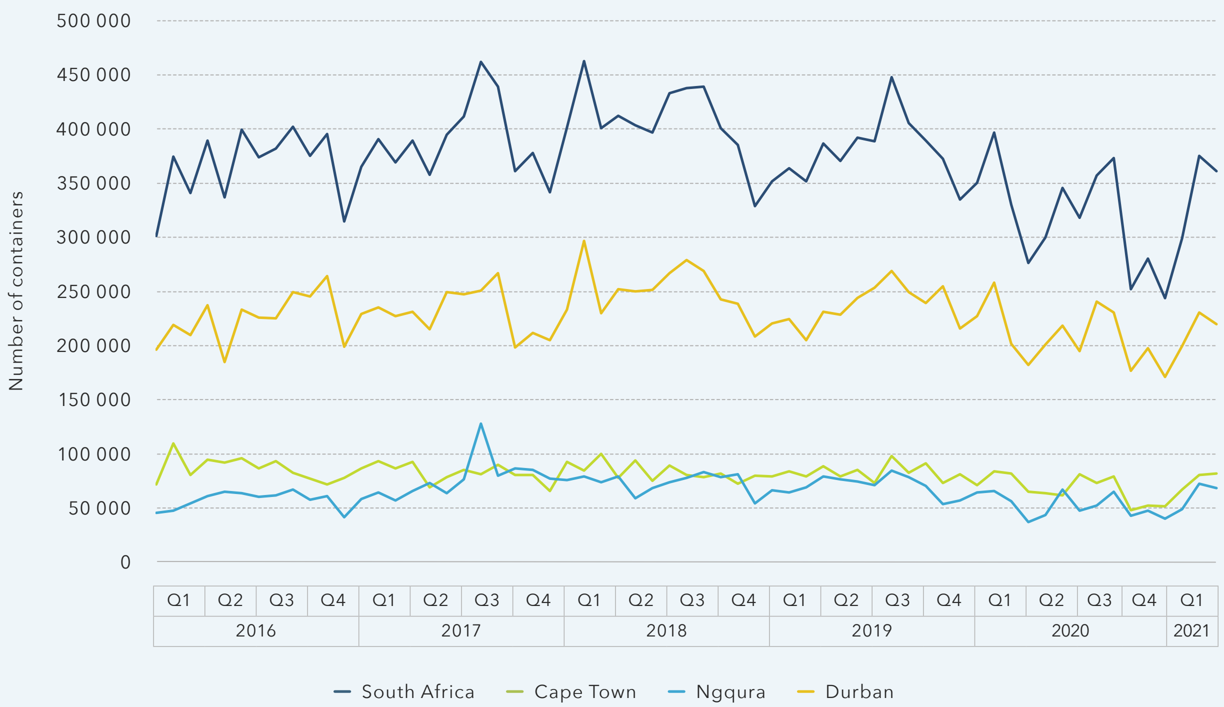
INFRASTRUCTURE AND TRADE

Cape Town is often cited as the gateway to South Africa and Africa. This status is sustained by the city's well-developed transportation infrastructure, including having South Africa's second-busiest airport, and (historically) its second-busiest container port. This section reviews infrastructure developments in relation to Cape Town's port and airport.

CONTAINER TRAFFIC

Container traffic demonstrates an erratic trend, as shown by figure 9. As such, it is best to compare total containers handled, as measured in twenty-foot equivalent units (TEUs[4]), over the period of a year. In the first quarter of 2021, the Port of Durban[5] remained the largest container handling port in South Africa, handling a total of 632 209 TEUs, which accounted for 61,6% of all containers handled in the country. It was followed by the Port of Cape Town (19,7%) and the Port of Ngqura[6] (15,7%).

FIGURE 9: TOTAL CONTAINERS HANDLED (NATIONALLY), 2016 Q1 TO 2021 Q1



Source: Transnet National Ports Authority (TNPA), May 2021.

As shown in table 3, the total number of containers handled at South African ports declined year-on-year. Containers handled nationally decreased by 4,0%, from 1 068 989 TEUs in the first quarter of 2020 to 1 026 521 TEUs in the first quarter of 2021. The Port of Cape Town experienced a decrease from 209 748 TEUs in the first quarter of 2020 to 202 280 TEUs in the first quarter of 2021, reflecting a year-on-year decrease of 3,6%. The Port of Durban recorded the highest decline (5,6%) of all the ports, while the Port of Ngqura increased by 2,0% when compared to the first quarter of 2020.

Figure 10 illustrates TEUs landed and TEUs shipped at the Port of Cape Town, reflecting imports and exports respectively. The Port of Cape Town recorded a year-on-year decrease of 10,2% in TEUs landed, from 64 055 TEUs in the first quarter of 2020 to 57 507 TEUs in the first quarter of 2021. However, the number of TEUs shipped increased by 4,0%, from 83 321 TEUs in the first quarter of 2020 to 86 683 TEUs in the first quarter of 2021. This is a reflection of the resilience of Cape Town's export industries during this period.

[4] A TEU (20-foot equivalent unit) is an inexact unit of cargo capacity, based on the volume of a 20-foot-long (6 m) container. There is a lack of standardisation with regard to height, ranging between 4 feet 3 inches (1,30 m) and 9 feet 6 inches (2,90 m), with the most common height being 8 feet 6 inches (2,59 m). The 40-foot (12,2 m) or 45-foot (13,7 m) containers – the sizes most frequently used are both defined as two TEU.

[5] The Port of Durban is located in the eThekwini metro municipality.

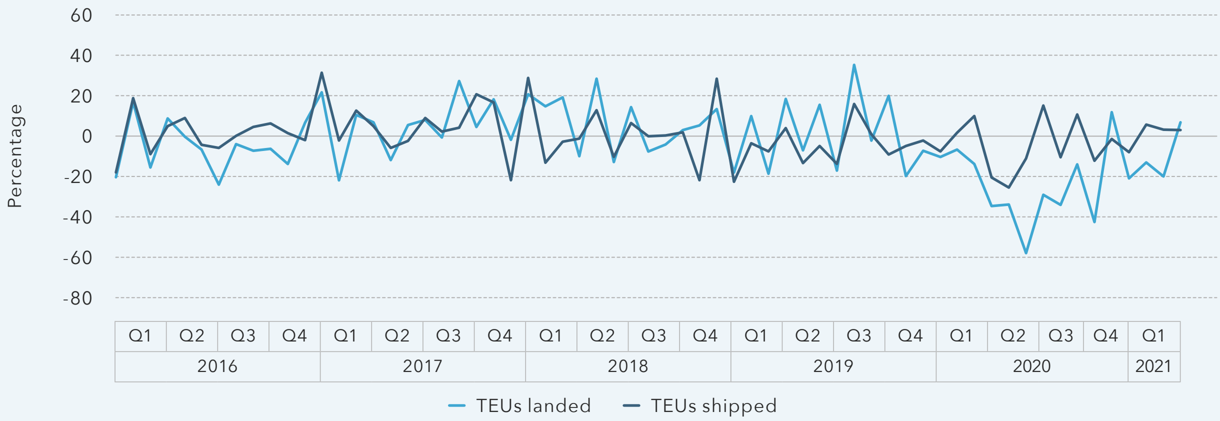
[6] The Port of Ngqura is located in the Nelson Mandela Bay metro municipality.

TABLE 3: COMPARISON OF TOTAL CONTAINERS HANDLED (IN TEUS)

	2021 Q1	2020 Q4	2020 Q1	YEAR-ON-YEAR CHANGE
South Africa	1 026 521	761 147	1 068 989	-4,0%
Cape Town	202 280	122 833	209 748	-3,6%
Durban	632 209	525 418	669 897	-5,6%
Ngqura	161 667	101 256	158 488	2,0%

Source: Transnet National Ports Authority (TNPA), May 2021.

FIGURE 10: ANNUAL CHANGE IN TEUS HANDLED AT THE PORT OF CAPE TOWN, 2016 Q1 TO 2021 Q1



Source: Transnet National Ports Authority (TNPA), May 2021.

Despite the ongoing challenges faced by the Port of Cape Town, which were worsened by the global pandemic, this port has been ranked as South Africa's most efficient port in the World Bank's inaugural global Container Port Performance Index[7] . The Port of Cape Town ranked 347th, ahead of Port Elizabeth (348th), Durban (349th) and Ngqura (351st) (World Bank, 2021). As part of its long-term plans to improve competitiveness at South Africa's ports, Transnet Port Terminals' new Navis Smart platform is expected to integrate applications such as truck bookings and real-time operations insights, as well as other features including berth and equipment optimisation. This initiative aims to enhance performance, reliability, security and scalability for the Port of Cape Town (Burger, 2021). In addition, a digital weighing system has been introduced at South African ports, which provides a verified gross mass for each container before being loaded onto a ship, further enhancing the productivity and efficiency of the ports (Cape Business News, 2021).

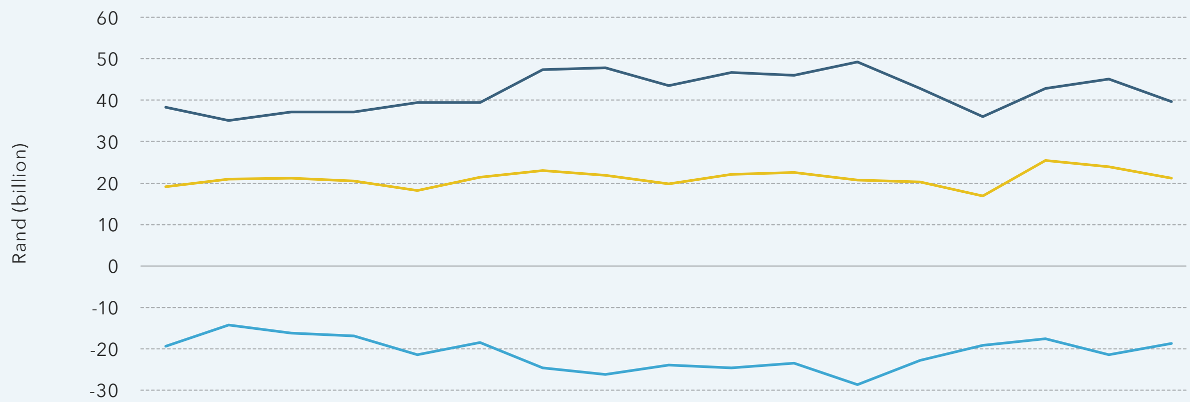
[7] *The index is based on total port hours per ship call, defined as the elapsed time between when a ship reaches a port to its departure from the berth, having completed its cargo exchange. Greater or lesser workloads are accounted for by examining the underlying data within 10 different call size ranges. Five distinct ship size groups are accounted for in the methodology, given the potential for greater fuel and emissions savings on larger vessels. The CPPI is intended to identify gaps and opportunities for improvement that will benefit stakeholders from shipping lines to national governments to consumers.*

CAPE TOWN TRADE

Quarter 1 saw trade declines in both imports and exports as illustrated in figure 11, which shows the quarterly trade balance for Cape Town. From the fourth quarter of 2020 to the first quarter of 2021, exports decreased by 10,6% to R21,4 billion and imports decreased by 11,8% to R39,9 billion. Although these declines are somewhat seasonal, the Exporter's Club Western Cape recently highlighted the challenge of out-of-date equipment at the multi-purpose terminal (MPT) at the Cape Town port, which is causing unwarranted delays (Goddard, 2021). The Navis Smart platform and the Konecranes weighing system solution could assist in alleviating these delays once they are implemented (Burger, 2021).

Contrary to the quarter-on-quarter directional changes, the value of exports, when compared to the same period in 2020, increased by 4,5%, while the value of imports decreased by 7,3% year-on-year.

FIGURE 11: CAPE TOWN'S TRADE BALANCE, 2017 Q1 TO 2021 Q1



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	2017				2018				2019				2020				2021
Export	19,3	21,2	21,4	20,8	18,5	21,5	23,1	22,1	20,0	22,4	22,7	21,0	19,7	16,2	24,1	24,0	21,4
Import	38,6	35,4	37,5	37,5	39,7	39,8	47,4	47,9	43,6	46,7	46,0	49,3	42,0	32,7	39,0	45,3	39,9
Trade balance	-19,3	-14,2	-16,1	-16,7	-21,2	-18,2	-24,4	-25,8	-23,5	-24,3	-23,3	-28,3	-22,4	-16,6	-14,9	-21,3	-18,5

Source: Quantec, 2021.

The top 10 exports for Cape Town in the first quarter of 2021, accounting for 47,4% of total exports, are shown in table 4 below. When compared to the first quarter of 2020, the largest year-on-year decline in export value is observed for non-crude based refined petroleum oil (-47,2%). The large value increase seen for crude petroleum oil exports was due to the fire at the Astron refinery in Cape Town last year, which caused the refinery to remain offline in the first quarter of 2021. Cape Town exported over 50% of its crude petroleum to Spain, some of which was imported from Saudi Arabia. Refined petroleum was the highest value import into Cape Town in the first quarter of 2020, with a value of R15,2 billion.

Table grapes were the top export category in the first quarter of 2021. Grapes experienced a bumper crop in the 2020/21 season, with higher yields, leading to a 24,6% increase in export values year-on-year. Exports of jewellery with precious metal increased by 63,8% year-on-year to reach R475 million. While this luxury item experienced an increase in demand, other categories such as wine (-1%) and yachts (-22%) did not make the top 10 exports for this quarter as they often do. Beauty products and cigarettes were other luxury categories that remained in the top 10, but experienced year-on-year declines of 7,8% and 10,3% respectively.

TABLE 4: CAPE TOWN'S TOP 10 EXPORTS, 2021 Q1

CAPE TOWN'S TOP EXPORT CATEGORIES FOR 2021 Q1 (HS 4)[8]	ZAR MILLION	% OF TOTAL EXPORTS	YEAR-ON-YEAR GROWTH, 2021 Q1
Grapes	R3 011,0	14,0%	24,6%
Crude petroleum oils	R1 924,5	9,0%	206 609,7%
Refined petroleum oils	R1 820,3	8,5%	-47,2%
Apples and pears	R867,8	4,0%	-9,3%
Frozen fish, excl. fillets	R524,9	2,4%	5,8%
Jewelery with precious metals	R475,0	2,2%	63,8%
Engine parts	R423,4	2,0%	27,2%
Beauty and make-up	R 403,9	1,9%	-7,8%
Fish fillets	R386,2	1,8%	3,5%
Cigarettes and tobacco	R335,7	1,6%	-10,3%
Total of top 10 export categories	**R10 172,9**	**47,4%**	**-**
Total of ALL products	**R21 440,8**	**100,0%**	**4,5%**

Source: Quantec, own calculations, May 2021.
Note: Only the top 10 exports at an HS4 level are shown in the table above.

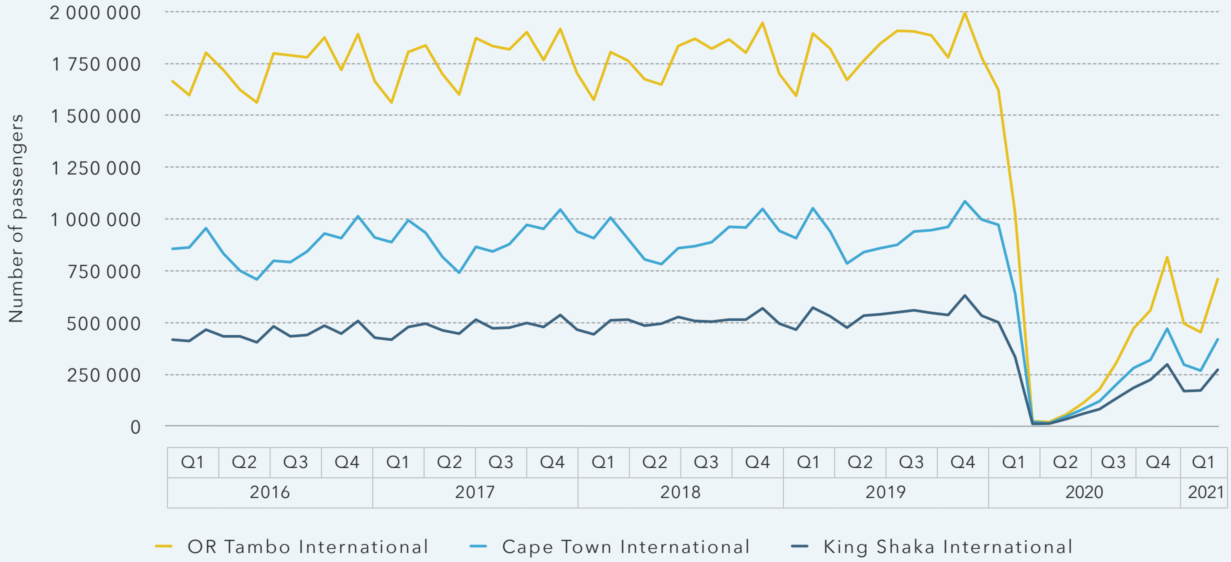
[8] *At the international level, the Harmonized System is a six-digit code system for the classification of products; it allows for the trading of goods on a common basis for customs purposes.*

AIRPORT STATISTICS

Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. It recorded record low passenger numbers in the second quarter of 2020 (an average decline of 98,4% quarter-on-quarter and 98,6% year-on-year across the three international airports). This was as a result of local and international border and travel restrictions associated with the pandemic. While the easing of local lockdown restrictions, notably the resumption of inter-provincial travel (Ramaphosa, 2020a), saw passenger numbers improve from the third quarter of 2020, these passenger numbers remain considerably muted. While South Africa and other countries opened their borders for international travellers after their respective initial lockdowns, many have since had to reinstate restrictions on international travel, even if only on a temporary basis. This creates added uncertainty, which is a further deterrent to international travel. Evidence of this can be seen in the fact that passenger movements at South Africa's three international airports all experienced declines in the first quarter of 2021 when compared to the previous quarter. Cape Town International recorded 944 991 total passenger movements (arrivals and departures) in the first quarter of 2021, while OR Tambo International recorded 626 669 passenger movements and King Shaka International 573 568 passenger movements during the same period.

To account for seasonal trends, passenger statistics are best analysed at a year-on-year level. Despite the continued increase in air travel throughout the latter half of 2020, at a year-on-year level, total passenger movements remain significantly low. For the completed year, total passenger movements in 2020 were down 66,3% when compared to 2019. For the first quarter of 2021, year-on-year data illustrate that total passenger movements at Cape Town International decreased by 63,2%. OR Tambo International and King Shaka International mirrored this trend, recording year-on-year declines of 63,1% and 56,8% respectively.

FIGURE 12: TOTAL (MONTHLY) PASSENGER MOVEMENTS AT SOUTH AFRICA'S MAJOR AIRPORTS, 2016 Q1 TO 2021 Q1



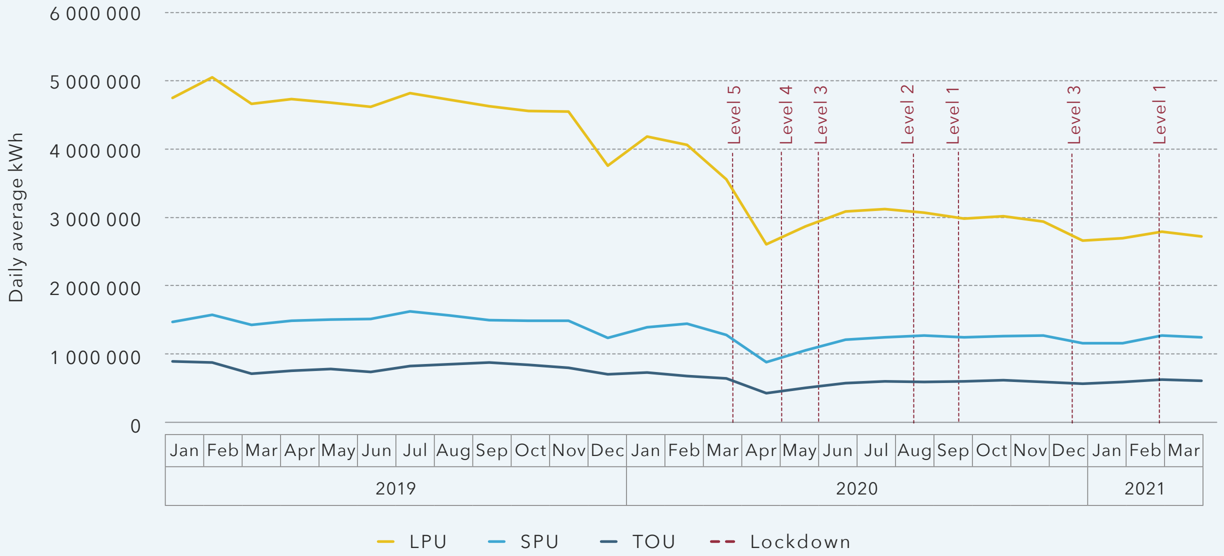
Source: Airports Company South Africa, May 2021.

The significant year-on-year declines are not only indicative of international travel constraints and the higher costs associated with mandatory Covid-19 tests or self-isolation periods, but also the strain placed on travel and tourism activities due to public fears of contracting Covid-19. While still considerably low in comparison to the same period in 2020 (30,1%), international arrivals constituted 11,0% of total arrivals across the three international airports in the first quarter of 2021.

COMMERCIAL ELECTRICITY USAGE

Electricity is an important driver of economic activity as it is a key input in most production processes. This is especially true in economies with greater proportions of secondary and tertiary sector activities, such as those of South Africa and Cape Town. Consumption of electricity by large power users (LPUs), small power users (SPUs), and time of use (TOU) customers is therefore a good indicator of production levels in the manufacturing sector. According to data collected by the City from a representative sample of LPUs, SPUs, and TOU customers, the introduction of the nationwide lockdown towards the end of March 2020 led to a sharp decline in electricity consumption in April 2020. However, the easing of stringent lockdown restrictions in May 2020, resulted in an upswing in electricity consumption. Despite the further easing of lockdown restrictions through the remainder of 2020, commercial electricity consumption was generally flat between July and November, before decreasing in December. Although lockdown restrictions were tightened towards the end of December 2020 as the country entered its second wave of the Covid-19 pandemic, consumption of electricity by LPUs, SPUs and TOU customers over the first quarter of 2021 was relatively stable, as illustrated in Figure 13.

FIGURE 13: CAPE TOWN'S COMMERCIAL ELECTRICITY USAGE, JANUARY 2019 TO MARCH 2021



Source: Electricity Generation and Distribution, CCT, May 2021.

Daily average consumption of electricity by commercial customers from January to March 2021 was generally lower than in the corresponding period in 2020. By the end of the first quarter (March 2021), consumption by LPUs, SPUs and TOUs had declined by 23,1%, 2,8% and 4,5%, respectively, year-on-year. However, month-on-month consumption by commercial customers fluctuated slightly between January and March 2021. In January 2021, consumption by LPUs, SPUs, and TOU customers increased by 1,4%, 0,3% and 3,8%, respectively, from the previous month. Increases in consumption were also recorded in February 2021 by LPUs, SPUs and TOU customers (3,3%, 9,0% and 5,6% respectively). This was, however, followed by decreases in electricity consumption in March, possibly due to load shedding. Consumption by LPUs decreased by 2,2%, SPUs by 1,9% and TOU customers by 2,4% month-on-month in March 2021. The relatively lower levels of electricity consumption in the first quarter of 2021 could also be pointing to the systemic negative impact the pandemic and lockdown has had on businesses. Some may have scaled-down operations, while others may have had to close down permanently. As a result, manufacturing production and output are not expected to return to pre-Covid-19 levels for some time.

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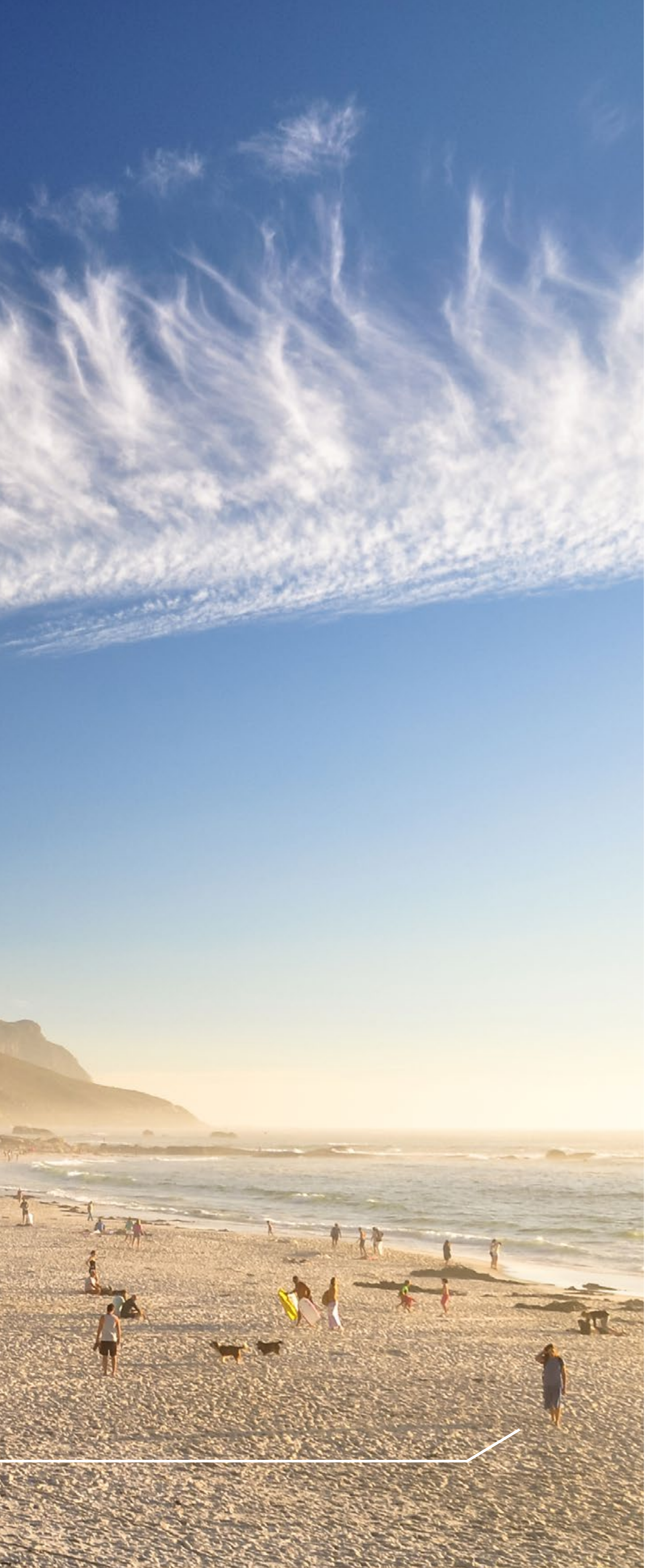


TOURISM

Owing to its unique location and geology, Cape Town is one of the most scenic and recognisable cities in the World. The City boasts an abundance of world class attractions, principal among which is one of the New7Wonders of Nature. The combination of scenic appeal, excellent service standards and a well-developed hospitality sector, underpins a robust tourism industry within the city. This industry is vitally important for the local economy, not just because of its role in job creation – being one of the most labour intensive industries in Cape Town – but also for its catalytic influence on other industries such as the real estate sector, creative industry and transport sector.

TOURISM

Cape Town is a well-known domestic and international tourist destination, and the city's tourism sector is a valuable contributor to the local and national economy. With the commencement of the nationwide hard lockdown on 27 March 2020, the tourism industry was amongst the hardest hit. While some activity began resuming from 1 June 2020, and subsequent further easing of restrictions in the remainder of 2020 allowed for increased activity in the sector (South African Government, 2020b, 2020c; Ramaphosa, 2020a), levels remain significantly low.

While data collection within the tourism industry experienced major disruptions for the majority of 2020 due to the impact of the pandemic[9], Cape Town Tourism (CTT, 2021) has resumed survey activity for the local accommodation sector. Where its previous surveys recorded an average of around 100 responses per month prior to the pandemic, its Cape Town Accommodation Performance Review for the period December 2020 to March 2021 had a total response rate of only 33 tourism accommodation establishments, all of which are based in the Cape Town metropolitan area. Of the responses, 82% reported that they were open during the review period, while 18% were closed. Of those that were closed, approximately one third noted that their establishment would not re-open, with the remaining two thirds indicating the potential – albeit uncertain – to re-open in the future.

As presented in table 5, occupancy rates at city accommodation establishments decreased by an average of 41,5 percentage points year-on-year in the first quarter of 2021, when compared to the same period a year ago. Alongside the reality of fewer operational establishments and thus fewer available rooms, the average occupancy rate of 32,3% in the first quarter illustrates the severe impact that the pandemic has had on the industry. In addition, the average room rate declined by R1 094 year-on-year, to R998 in the first quarter of 2021, indicative of lower demand. While revenue per room declined by R1 209 year-on-year, to a low of R329.

As South Africa faced its second wave of the Covid-19 pandemic, stricter lockdown regulations were applied from late December 2020. These stricter restrictions were specifically aimed at limiting infections over the festive season. They included, inter alia, an amended curfew, limitations to the access of beaches, and restrictions on alcohol sales (South African Government News Agency, 2020). Cape Town Tourism (2021) reports that, as a result of this change in lockdown regulations, nearly a quarter of survey respondents noted cancellation of [festive season] bookings of over 50% for their respective accommodation establishments. In addition, the subsequent amendments to the 2021 schooling calendar negatively impacted on corporate client bookings. Increased regulations around the Easter period, however, were less stringent and thus had minimal negative impact, as reported by the survey respondents.

Following a complete shutdown in the second quarter of 2020, all of Cape Town's five major tourist attractions[10] reopened to the public during the third quarter of that year. While visitor numbers remain significantly lower when compared to the same period in 2020 (-72,3%), the year-on-year performance for the first quarter of 2021 shows slight improvement, increasing by 0,8 of a

INDICATOR	JANUARY		FEBRUARY		MARCH		FIRST-QUARTER AVERAGE	
	2021	2020	2021	2020	2021	2020	2021	2020
Occupancy rate	25,8%	71,8%	31,4%	80,5%	39,8%	69,0%	32,3%	73,8%
Average room rate	R1 078	R2 184	R924	R2 126	R991	R1 964	R998	R2 091
Revenue per room	R278	R1 567	R315	R1 711	R394	R1 337	R329	R1 538

Source: Cape Town Tourism, 2021.

[9] *As most accommodation establishments were closed or greatly restricted in their services and/or clientele during the respective lockdown levels, Cape Town Tourism thus could/did not conduct their [otherwise] monthly accommodation survey.*

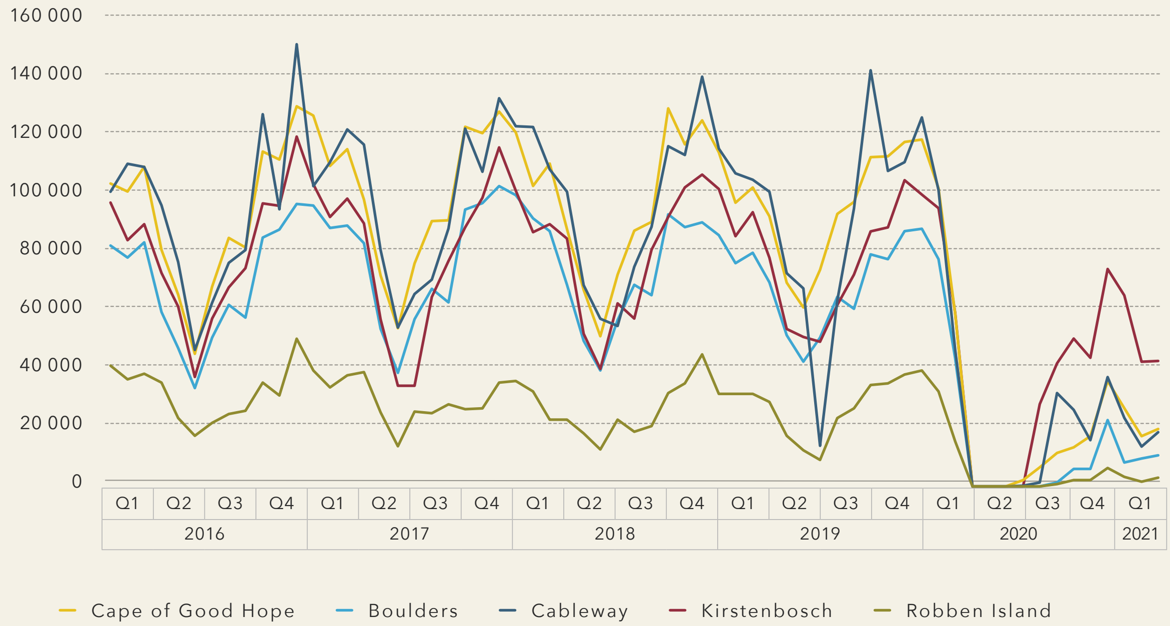
[10] *Includes Cape of Good Hope, Boulders Beach, Table Mountain Aerial Cableway, Kirstenbosch National Botanical Gardens and Robben Island. Excludes the V&A Waterfront.*

percentage point when compared to the year-on-year growth reported for the previous quarter.

As a result of the increased risk and concerns of Covid-19 infection rates, all five attractions recorded quarter-on-quarter decreases in the first quarter of 2021. Robben Island once again recorded the largest year-on-year decline (-91,1%) with 7 642 number of visits in the first quarter of 2021. The continued poor performance is attributed to the pandemic's impact on the tourism sector, notably as the attraction's clientele is predominantly international visitors (Isaacs, 2021). Table Mountain Aerial Cableway recorded 55 261 number of visits in the first quarter of 2021, a year-on-year decline of 79,7% and the largest quarter-on-quarter decline (29,6%) of the attractions. Kirstenbosch National Botanical Gardens recorded the highest number of visits (149 966) and the lowest negative year-on-year performance (-40,6%) of the five attractions.

Figure 14 illustrates the highly seasonal nature of Cape Town's attractions, with peak visitor activity occurring in the summer period from November to March, while the lowest tourist visitor numbers are typically recorded between May and July, which are Cape Town's winter months. Following the shock to the sector caused by the hard lockdown and closure of amenities in the second quarter of 2020, performance in the first quarter of 2021 remains dampened, largely attributable to the still significantly low numbers of international visitors.

FIGURE 14: TOTAL (MONTHLY) VISITS TO THE TOP FIVE TOURIST DESTINATIONS OF CAPE TOWN, 2016 Q1 TO 2021 Q1



Source: Wesgro, April 2021.

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ADDITIONAL INDICATORS

In addition to macroeconomic indicators, administrative data reveal specific consumer trends and provide strong indications of the performance of the local economy. In particular, building plan statistics and property development are key indicators of the levels of confidence in the economy, while passenger vehicle sales mirror trends in the business cycle and are regarded as a leading indicator of GDP growth.

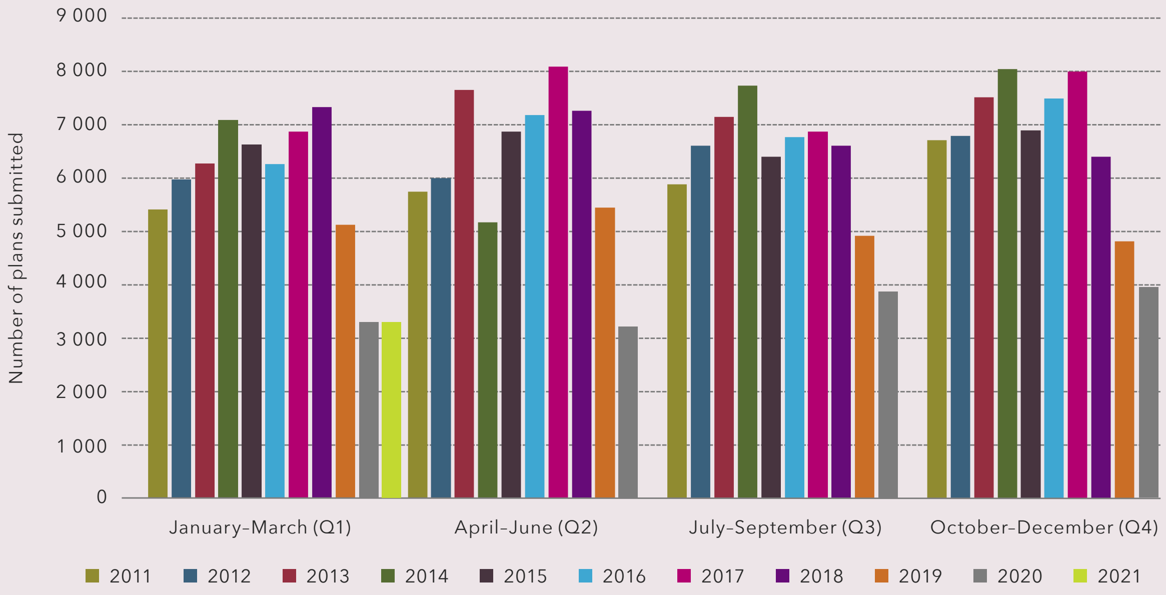
BUILDING DEVELOPMENTS

The economic growth data for the first quarter of 2021 shows that national output in the construction industry grew by 0,8% quarter-on-quarter, thus struggling to maintain its recovery momentum since its significant decline in the second quarter of 2020 as a result of the nationwide lockdown. This is further highlighted in the year-on-year data, which indicates that the sector recorded its 16th consecutive contraction (-18,1%) in the first quarter of 2021. The Western Cape's construction industry mirrored these national trends, recording quarter-on-quarter growth of 0,8%, while contracting by 18,5% on a year-on-year basis in the first quarter of 2021 (Quantec, 2021).

After reaching an all-time low of four index points in the second quarter of 2020, and thereafter recovering in the remainder of the year, the First National Bank (FNB)/ BER Building Confidence Index[11] slipped by 2 index points in the first quarter of 2021, recording 27 index points. According to the BER (2021c), this indicates that over 70% of the survey respondents are dissatisfied with the prevailing business conditions within the sector. Indicative of the current economic conditions in which work-from-home arrangements are still strongly encouraged, confidence amongst non-residential contractors deteriorated notably, while the subsector is also impacted by the current over-supply of office and retail space. The lack of confidence of non-residential contractors is further illustrated in the City's building plans data, which shows that in the first quarter of 2021, 53% of completions were categorised as residential and 16% non-residential, compared to 41% and 26%, respectively, in the first quarter of 2020.

The tenuous state of the sector is further evident in the number of building plans submitted to the City for approval, which totalled 3 284 in the first quarter of 2021, a decrease of 16,2% from the previous quarter. figure 15 provides an annual comparison of the number of building plans submitted in each of the quarters over the past 10 years. This allows for seasonal volatility when analysing the long-term trends in the building and construction industry. Year-on-year, building plan submissions decreased by 0,6% in the first quarter of 2021, which represents a continuation of the declining annual trend (since 2018), while also returning to a negative quarter-on-quarter growth rate. This reflects the lack of confidence still prevalent in the industry. Similarly, the FNB/BER Civil Confidence Index[12] remains considerably low at 21 index points for the first quarter of 2021, after recording an increase of 5 index points on the previous quarter (BER, 2021d).

FIGURE 15: BUILDING PLANS SUBMITTED TO THE CITY OF CAPE TOWN, 2011 Q1 TO 2021 Q1



Source: Planning and Building Development Management Department, CCT, May 2021.

[11] *The FNB/BER Building Confidence Index captures the percentage of architects, quantity surveyors, and contractors and manufacturers of building material, who are satisfied with, or wary of, the prevailing business conditions.*

[12] *The FNB/BER Civil Confidence Index captures the business confidence of civil contractors. A recording of 10 means that 90% of the survey respondents are dissatisfied with the current business conditions in their sector.*

NEW VEHICLE SALES

Total vehicle market sales in the Western Cape experienced a marginal decline of 0,4%, recording 12 276 units sold in the first quarter of 2021, compared to 12 321 units sold in the fourth quarter of 2020. On a year-on-year basis, vehicle sales experienced an increase of 2,1% (248 units) from 12 028 vehicles sold in the same period of 2020. Passenger vehicle sales in the Western Cape, which represents the private consumer segment of the market, decreased from 8 383 vehicles in the fourth quarter of 2021 to 7 982 vehicles in the first quarter of 2021. The year-on-year results showed a decrease of 4,5% (378 units) from the 8 360 vehicles sold in the first quarter of 2020. At a national level, passenger vehicle sales reported a year-on-year decrease of 8,2% (6 530 units), declining from 79 210 units in the first quarter of 2020 to 72 680 units in the first quarter of 2021. Despite interest rates and inflation remaining stable at low levels, coupled with a stronger rand-dollar exchange rate, the national and provincial passenger vehicle sales figures point to a market that is still under pressure as business and consumer sentiments remain depressed due to the prolonged effects of the pandemic.

TransUnion's Vehicle Pricing Index (VPI) report shows that new passenger vehicle finance deals decreased by 5,0% on a year-on-year basis in the first quarter of 2021, while used passenger vehicles increased by 7,4%. The used-to-new ratio rose to 2,4 in the first quarter of 2021 from 2,1 in the same period of 2020, indicating that consumers are still choosing to purchase older vehicle models as pressure on disposable income persists. The VPI[13] for new and used vehicle pricing increased to 8,8% and 3,7%, respectively, in the first quarter of 2021, up from 4,0% and 1,4%, respectively, for the same period in 2020. This shows that the price of vehicles continues to rise above inflation despite low supply as well as muted demand. Furthermore, the increase in the price of used vehicles has also surpassed inflation for the first time since the third quarter of 2010, attributed to low inflation and interest rates, which have increased demand for quality used vehicles (Reddy, 2021). This trend is expected to continue as demand for quality used vehicles continues without a stable supply.

In 2021, NAAMSA expects the local automotive industry to start regaining lost demand; however, structural constraints, coupled with the country's increasing debt levels and the continued electricity supply constraints, may hold back the industry's recovery momentum (NAAMSA, 2021). New vehicle sales in 2021 could also be hindered by stock shortages of some models in the near term as Covid-19 restrictions across the world caused disruptions to manufacturing supply chains. These resulted in global shortages of semi-conductors and computer chips, which are vital components in modern vehicles (Smith, 2021). Furthermore, consumers are expected to re-enter the new vehicle market as soon as the industry implements the 'Right to Repair' laws[14] later this year. This law will increase transparency, encourage competition and sustainability, and provide more consumer choice, which will generate value-add opportunities for businesses in the local automotive industry (Reddy, 2021).

[13] *VPI measures the relationship between the year-on-year price increases for new and used vehicles from a basket of passenger vehicles of the 15 top manufacturers by volume. The index is created from vehicle sales data collated from across the industry.*

[14] *Under the new consumer rights framework ('Right to Repair'), the costs for service and maintenance plans and value-added products must be disclosed separately to the new list price of a vehicle, and the consumer given the opportunity to decline it if they wish.*

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ABBREVIATIONS

BER	Bureau for Economic Research
BPO/BPM	Business Process Outsourcing/Management
CCT/City	City of Cape Town
CPI	consumer price index
CT	Cape Town
EPIC	Economic Performance Indicators for Cape Town
FNB	First National Bank
GDP	gross domestic product
GDP-R	regional gross domestic product
GGP	gross geographic product
GVA	gross value added
HS	Harmonised System
IMF	International Monetary Fund
LPU	large power users
MPC	Monetary Policy Committee
NAAMSA	National Association of Automobile Manufacturers of South Africa
PMI	Purchasing Managers' Index
PPE	personal protection equipment
PPI	producer price index
QLFS	Quarterly Labour Force Survey
RMB	Rand Merchant Bank
SA	South Africa
SARB	South African Reserve Bank
SPU	small power users
TEU	twenty-foot equivalent unit
TNPA	Transnet National Ports Authority
TOU	time of use
VPI	Vehicle Pricing Index
WC	Western Cape
ZAR	South African rand

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